

**Third-Party Copyright Liability of Online Service Providers in
the United Kingdom & United States of America**

By

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Declaration

I do hereby declare that the work presented in this thesis is my own, except where referenced.

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Abstract

The music and film content providing industry asserts that unauthorised widespread Online Service Provider (OSP) enabled use of their works has played a large part in the factually evident decline in unit sales of the industry's essential products such as CDs and DVDs, and has thus also allegedly diminished revenue and profits. In this regard, content providing industry legal recourse against OSPs takes two forms. The first is to claim primary copyright infringement, and the second to establish third-party copyright liability for the infringing acts of an OSP's users. The choice is dictated by the specific facts in individual cases. The latter important and complex case law based category, which applies to a spectrum of OSP connections to infringements, some more direct than others, is specifically treated in this thesis.

This thesis examines the, it is argued, inadequate case law based operation of UK third-party copyright liability. By firstly comprehensively studying UK copyright law as it pertains to OSPs, including primary liability as well as exceptions and limitations, UK third-party copyright liability is suitably extrinsically defined. Its intrinsic operation is then analysed. Severe deficiencies having been found and explained in this regard, a basis for reform is sought by conducting a similar examination of US third-party copyright liability, said law being more developed. Thus, a mirrored approach to the preceding UK analysis is taken in the analysis of US copyright law; carefully defining third-party copyright liability and ensuring overall systemic compatibility. Having established the need for reform and having provided a second compatible but more developed source, both strands of third-party copyright liability are compared and contrasted and entirely novel changes to the UK concepts are proposed for legislative adoption. The reformulations allow for apposite future risk analysis by market actors, resulting in greater legal certainty for all parties concerned.

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Table of Abbreviations

Acronyms

3PCL	Third-Party Copyright Liability
CA	Copyright Act
CJEU	Court of Justice of the European Communities
FCC	Federal Communications Commission (US)
H.R.Rep.	US House of Representatives Report
IFPI	International Federation of Phonographic Industry
ISP	Internet Service Provider (Connection)
ISSP	Information Society Service Provider
OFCOM	Office of Communications (UK)
OSP	Online Service Provider
RIAA	Recording Industry Association of America
S.Rep.	US Senate Legislative Report
TPMs	Technical Protection Measures
UK	United Kingdom
US	United States of America
USC	United States Code
WIPO	World Intellectual Property Organisation

Legislation

1) International

'Berne'	Berne Convention for the Protection of Literary and Artistic Works, Paris Act of 24 July 1971, as amended on 28 September 1979.
'Rome'	International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, Rome, 26 October 1961.
'TRIPS'	Agreement on Trade Related Aspects of Intellectual Property Rights of 15 April 1994.
'UCC'	Universal Copyright Convention 1952, revised at Paris July 24, 1971.
'WCT'	WIPO Copyright Treaty and Agreed Statements concerning the WIPO Copyright Treaty, Adopted in Geneva on 20 December 1996.
'WPPT'	WIPO Performances and Phonograms Treaty, adopted in Geneva on 20 December 1996.

2) European Union

'CA Directive'	Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access OJ L 320.
'E-Commerce Directive'	Directive 2000/31/EEC of the European Parliament and the Council of 8 June 2000 on certain legal aspects of information society

services, in particular electronic commerce, in the internal market, [2000] OJ L178/1.

‘Enforcement Directive’ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, [2004] OJ L195/16.

‘EUCD’ Directive 2001/29/EC of the European parliament and the Council of the 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, [2001] OJ L167/10.

‘TEU’ Treaty Establishing the European Union, [2005] OJ C325.

3) National – UK

‘CA 1911’ Copyright Act 1911.

‘CA 1956’ Copyright Act 1956.

‘CA 2003’ Communications Act 2003.

‘CBA 1984’ Cable and Broadcasting Act 1984.

‘CDPA 1988’ Copyright, Designs and Patents Act 1988.

‘CRR Regulations’ The Copyright and Related Right Regulations 2003 (SI 2003/2498).

‘DEA 2010’ Digital Economy Act 2010.

‘Duration Regulations’ The Duration of Copyright and Rights in Performances Regulations 1995 (SI 1995/3297).

‘E-Commerce Regulations’ The Electronic Commerce (EC Directive) Regulations 2002(SI 2002/2013).

‘Statute of Anne 1709’ An Act for the Encouragement of Learning, by Vesting the Copies of Printed Books in the Authors

or Purchasers of such Copies, during the Times therein mentioned, 8 Anne, c. 19, in force; 10 April 1710.

4) National – USA

‘AHRA’	Audio Home Recording Act 1992, Pub. L. 102-563, Stat. 106 Stat. 4237(1992).
‘BCIA’	Berne Convention Implementation Act 1988, Pub.L.No.100-568,10 Stat.2853
‘CA 1909’	Copyright Act 1909
‘CA 1976’	Copyright Act 1976
‘COICA’	Combating Online Infringement and Counterfeits Act (Bill, 111 th Congress S.3804).
‘CTEA’	Sonny Bono Copyright Term Extension and Fairness in Music Licensing Act, Pub.L.No.105-298(1998)
‘DMCA’	Digital Millennium Copyright Act 1998, Pub. L. 105-304 Stat., 112 Stat. 2860 (1998)
‘DPRSA’	Digital Performance Right in Sound Recordings Act of 1995, Public Law 104-39,104th Congress, 109 Stat. 336
‘P.R.O.T.E.C.T. I.P. Act’	Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 (Bill, 112 th Congress S.968).
‘SRA 1971’	Sound Recording Act 1971 (Sound Recording Amendment, Pub.L.No.92-140,85 Stat,391(1971).

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PART 1 – INTRODUCTION

A. The Technological and Industry Context

Before elucidating the particular legal context and structure of this thesis, including its corresponding methodology, sources and limitations, it is important to first outline the industry and technological context involved so that the hypotheses are understood and it may be appreciated why particular legal, but also political and societal questions are posed and treated throughout this thesis.

I. The World Wide Web

The common denominator pertaining to almost all aspects of this thesis is the World Wide Web, meaning the public Internet. This is a medium which most people in industrialised nations have become not only accustomed to, but use on a daily basis; the effect being that commercial, social and private aspects of the relevant populaces' lives are driven to a relatively large extent by this technology. The referenced general uptake and permeation coincide with the technology's evolution from what can be described as a functional and sophisticated but unappealing card index to the current, still evolving, colourful omni-purpose media and content environment.

As such, it is only natural that this medium is being exploited in numerous ways by Online Service Providers (OSPs), which has led to friction and sparked litigation by opposing industries. In this regard, it is prudent to define what is meant by an OSP. An OSP is an undertaking marketing goods and/or services on the public internet.¹ This definition is an umbrella definition, that may include what some may refer to as Internet Service Providers (ISPs) that generally, mainly provide access to the

¹ See Wikipedia, Online Service Provider at http://en.wikipedia.org/wiki/Online_service_provider, accessed;20 December 2011.

World Wide Web,² although this is a commonly understood and relatively clearly delineated subset.³ This is the case concerning the music and film industries, which are of special interest for this thesis, and for the purposes of which, without prejudice to commercial differentiation, are generically termed the “content providing industry”. Without wishing to pre-empt the discussion below of certain legal aspects, it is this litigation, or to be more specific, the liability of OSPs in particular contexts that this thesis evaluates.

II. The Content Providing and Using Industries

In delineating the industry context, borrowing from Templeman LJ in *C.B.S. Songs Ltd. v Amstrad Consumer Electronics Plc.*, that OSPs:

Create and market sophisticated services which enable individual members of the public to transmit, receive, record and reproduce sounds and signals in their own homes. The [content providing industry] transmits and records entertainment on an enormous scale. Each industry is dependent on the other. Without the public demand for entertainment, the [OSPs] would not be able to [market] their [services] to the public. ... Although the two industries are interdependent and flourish to their mutual satisfaction there is one area in which their interests conflict. It is in the interest of the [OSPs] to put on the market every facility which is likely to induce customers to [use the services provided] by the industry. It is in the interest of the entertainment industry to maintain a monopoly on the reproduction of entertainment.”⁴

The above quote has been modestly modified, as indicated, to adapt it from, originally, the electronics industry, to the OSP industry. This fact serves to highlight that, despite the friction between the opposing OSP and content providing industry being particularly acute in an electronic medium such as the Internet, such friction concerning the content providing industry is not a new *per se*. When *Amstrad* was heard in 1988 the technology at the centre of the litigation was twin double speed tape recorders, yet the observations concerning the symbiotic and

² E.g. BT Group Plc, see <http://www.bt.com/>, accessed; 20 December 2011.

³ See Encyclopaedia Britannica, Internet Service Provider, <http://www.britannica.com/EBchecked/topic/746032/Internet-service-provider-ISP>, accessed; 20 December 2011.

⁴ [1988]1 A.C.1013,1045-1046(UKHL).

sometimes contentious relationship between the content providing industry and technology remains valid. Some commentators have identified a “Digital Dilemma”, referencing the fact that whereas digital technology and the Internet induce effortless instantaneous dissemination of information across national boundaries, both also severely impact on the ability of copyright holders to exert or maintain exclusive rights.⁵ In other words, whereas a heretofore unimaginable potential for global distribution at virtually no cost has come into existence, the prevalence of works which are the subject of such is threatened due to the prejudicial effect on copyright holders by dislocated pecuniary recompense. This particular, currently OSP driven problem, is the latest instalment in what have been termed the “Copyright Wars”,⁶ which for the content providing industry began with piano rolls.⁷

As noted, the content providing industry argues that the evolution and exponential growth of OSP service uptake, making use of unlicensed works, has to a very large extent negated the industry’s ability to control reproduction and dissemination as once guaranteed by statute. This is important, it is argued, due to the fact that these exclusive rights previously ensured profitability linked to the sales of particular units, for example CDs and DVDs. As referenced, this loss of control and alleged revenue has sparked litigation over the uses of technology and services causing such. In the previous electronics driven era, the content providing industry famously took legal action against the manufacturers of videotape and tape recording equipment, at a time when such represented the pinnacle of efficient reproductive and disseminative technology.⁸ Today such are being replaced by the Internet and OSPs. Whereas it may validly be observed that the content providing industry is in economic decline,⁹ some commentators have questioned whether or

⁵ A. Peukert, ‘A Bipolar Copyright System for the Digital Network Environment’, 148, in A. Strowel, ‘Peer to Peer File Sharing and Secondary Liability in Copyright Law’ (EE, 2009).

⁶ Recently coined again by Patry, *Moral Panics and the Copyright Wars*, (OUP 2009).

⁷ See *White-Smith Music Publishing Company, Appt., v. Apollo Company*, 209 U.S. 1 (1908).

⁸ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (S.Ct. 1984) and *Amstrad* (n4).

⁹ IFPI, ‘Digital Music Report 2011’, 5, <http://www.ifpi.org/content/library/DMR2011.pdf> (28 May 2011).

to what extent this is due to unauthorised dissemination of works by OSPs, such as P2P networks.¹⁰

The OSP industry counters arguments that unit sales¹¹ are dropping with the contention that copyright is being used to justify what may be termed “upside down business models” which are alleged to be “anti-consumer, anti-competitive and anti-innovative”.¹² What is meant thereby is the content providing industry’s alleged attempt to “change the internet into a vehicle for the greatest form of vertical monopolisation ever seen, even though the benefits from a pull approach to marketing are ... obvious and are grounded in common economic sense.”¹³ The content using OSP industry therefore suggests for the content providing industry what it views as consumer driven, to a lesser extent unit based, and to a greater extent access based business models, as the solution to the industries problems which are, allegedly, to be preferred to litigation.

The opposing OSP industry generally contends that ‘creative’, ‘responsive’ and technology driven models making full use of the Internet’s potential is required. This is currently referred to as an emphasis on “monetisation of access to content”.¹⁴ Cynical observers might note that to achieve such the content providing industry must necessarily, at least in the first instance, work together with the OSP industry, thereby creating new middlemen to satisfy this new consumer driven business model. Moreover, when it comes to infringement of copyright by certain very large OSP actors, most notably Google and affiliated companies, the industry has recently asserted that whereas the social and economic value of creative content protected by copyright is admitted, the services it provides are equally as valuable using the same or similar frames or reference.¹⁵

¹⁰ F Oberholzer & K Strumpf, *The impact of filesharing on movies*, (31December2010) https://www.law.northwestern.edu/academics/searle/papers/Strumpf_file_sharing_movies.pdf (03 March 2011); *The effect of filesharing on record sales: An empirical analysis*, 115JPE1.

¹¹ Mostly meaning hard-copy products such as CDs or DVDs.

¹² Patry, (n6), xx.

¹³ ¹³ Ibid, citing T. Levitt, “Marketing Myopia”, Harv.B.Review 6(1960), (September-October 1975 edition).

¹⁴ For example; Spotify.com and Last.fm or, cross platform, Nokia ‘Comes with Music’, <http://62.61.85.218/#/comeswithmusic/> (30May2011).

¹⁵ “Sideshow Coalition” Amicus Curiae brief in Support of Defendants, Interest of the Amici, 1, *Viacom Int’l. Inc., et al., v. YouTube, Inc., et al.*, No.07-CV-2103, No. 07-CV-3582 (S.D.N.Y.2010).

B. The Legal & Structural Aspects

Having highlighted the nature of the opposing industries' areas of particular and partially fundamentally conflicting business interests, how these are dealt with in a legal context in particular as examined by this thesis, may be turned to. This discussion then leads on to an explanation of the particular focus of this thesis within the broader general legal context of the "copyright wars", including the objective, hypothesis, methodology, structure, sources and limitations.

I. The General Legal Context

Over the years, the content providing industry, most notably the music industry, has shifted its litigation strategy in response to the alleged negative impact of OSP linked infringement of copyright.¹⁶ Previously, two primary targets were both the enabling OSPs and later, on a large scale in the US, the users. In recognition of the fact that pursuing users is undesirable for below mentioned reasons, this strategy has, it is alleged by the industry in the US, abated somewhat.¹⁷ This is contested by advocacy groups.¹⁸

It is however common ground that the content providing industry still pursues in certain instances individual primary infringers of copyright, for example in file-sharing cases - particular file sharers such as Joel Tenenbaum. However, more importantly for this thesis, at no point in time did the industry stop seeking to hold OSPs liable for the infringement of copyright by their users.¹⁹ This strategy stands

¹⁶ For example, rogue P2P platforms such as *Napster*, *Grokster* or *LimeWire* as treated in Part3,ChapterC(III)(IV).

¹⁷ S.McBride&E.Smith,'Music Industry to Abandon Mass Suits',WSJ(19December2008), <http://online.wsj.com/article/SB122966038836021137.html>(29May2011).

¹⁸ EFF,'RIAA v. The People: Five Years Later',<http://www.eff.org/wp/riaa-v-people-years-later>(29May2011).

¹⁹ *Sony BMG Music Entertainment v. Tenenbaum*,672F.Supp.2d217(D.MA.2009); *Lenz v. Universal Music Corp.*,572F.Supp.2d1150(ND.Cal.2008); *Metro-Goldwyn-Mayer Mayo Studios v. Grokster Ltd.*,125S.Ct.2764(2005). See also:

unquestioned until this day and splits into instances of primary, and, what is referred to throughout this thesis as third-party copyright liability (3PCL); why this is the case and the exact scope will be discussed in the following Parts. Whether an OSP may be held liable on a primary or third-party basis depends on the specific facts of particular cases, and as a general rule, the extent of the involvement of the OSP. This will be precisely delineated in the following Parts.²⁰

The reason behind this particular litigation strategy, especially concerning 3PCL, is that the OSP provides a focal point as compared to the multitude of primary infringers, and is likely to have 'deeper pockets'. Some cynical observers will no doubt moreover note that it is also in the content providing industry's interests not to be perceived as suing customers. Posner J in *In re Aimster Copyright Litigation*, termed suing individual infringers a "teaspoon solution to an ocean problem" suggesting that "the law allows a copyright holder to sue the contributor to the infringement instead, in effect as an aider and abettor", which was preferable from a content providing industry point of view.²¹ Moreover, commentators such as Ginsburg have termed OSPs the "principal economic actors"; whether this view is to be agreed with remains open, since the view could be taken that the users of OSPs' services in this regard could also be termed such.²² Nonetheless, the very fact that there is a debate as to which, the OSPs or the users, are the "principal economic actors" evidences also the logical and monetary importance of the OSP in what may be termed the infringement chain.

II. The Focused Legal Context

1) Objective

<http://www.copfs.gov.uk/News/Releases/2011/05/First-Person-Scotland-Convicted-Illegal-Music-File-Sharing> (29May2011).

²⁰ Part2,ChapterB(II),(III),D(I)-(IV);Part3,ChapterB(I)-(VIII).

²¹ *In re Aimster Copyright Litigation*, 334F.3d643,645(7th Cir.2003).

²² J. Ginsburg, Separating the *Sony* Sheep from the *Grokster* Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs, 50Ariz.L.Rev.577,578 (2008).

The aforementioned allows it to be stated in context that the more narrowly focused legal objective of this thesis is to, in particular, analyse 3PCL in the UK, with a view to assessing its relative qualities. Particular attention is paid to legal certainty and operational effectiveness, striking a balance, where possible, between the above mentioned industry interests. It is also the objective of this thesis to provide solutions for problems encountered and enumerated in the analysis.

2) Hypotheses

The primary aim/hypothesis of the UK legal discourse is to argue and prove that 3PCL in the UK is in need of reform. The secondary aim/hypothesis is to argue and prove that UK third-party copyright liability can be beneficially reformed by employing compatible concepts borrowed from US third-party copyright liability, which should be adopted in legislation.²³

3) Methodology

a) Overview

3PCL in the UK is initially defined extrinsically by an examination of UK copyright law as it pertains to OSPs; including primary liability as well as exceptions and limitations. Thereafter it is defined and analysed intrinsically. Deficiencies are highlighted and the case for reform presented. To provide the means for reform, recourse is had to a tailored examination of US law. The arguably most important copyright jurisdiction, in terms of economics, commerce and litigiousness, namely the USA, is thus analysed in a similar fashion to the preceding UK based analysis; defining US 3PCL extrinsically within the copyright law corpus and then analysing it intrinsically. Throughout the examination of US law, comparisons are made to corresponding UK law to ensure that there exists a valid functional comparison

²³ See especially Part3,ChapterC(III)(3),(V);Part4,ChapterD.

between both jurisdictions, which allows for and leads to a final assessment that incorporates proposals for reform. 3PCL, being central to this thesis, is compared separately and proposals for reform and legislative adoption are made successively.

b) The Comparative Discourse

The core comparative conclusions and proposals concerning 3PCL in Part 4(D) are an integrated continuation as well as a substantiated logical development from the foregoing Parts generally, but in particular the final conclusion to Part 2 proving the primary hypothesis as well as the 3PCL conclusions in Part 3; but naturally also in Part 2 B(IV) and C(III).

This is because the examination and comparison of the two jurisdictions' surrounding aspects to the central issue of 3PCL serves just such a purpose; namely, it places the central theme into context and ensures that liability in both jurisdictions is compatible to the extent that it may be validly compared. In other words, the preceding overall examination offers a sense of the jurisdictions' functioning both generally as well as in OSP contexts, and thus the context in which 3PCL; it ensures that a thorough investigation has been conducted precluding the existence of any impediments which would affect the operation of 3PCL to such an extent that a comparison would be either invalid, improbable or incomplete if not referenced. Reference is made to the section conclusions in Part 3 and their equivalent in Part 4(C), establishing a sufficient similarity of operation of 3PCL in both systems.

This particular approach aims to preserve the value and validity of what is a well-known fact; comparative law is often used as a successful aid to legislation and law reform.²⁴ Whereas, as de Cruz points out, the practice of enacting worthwhile laws stemming from foreign places harks back to the Greeks and Romans, he also notes that the English Law Commission is also tasked with incorporating such "whenever this is seen as facilitating ... performance".²⁵ In comparative law terms, both the UK

²⁴ De Cruz, *Comparative Law in A Changing World*, 2nd Ed., Cavendish (1999), 20.

²⁵ Ibid.

and US are part of the same system; the English common law system, which makes the instant comparison easier and parallel comparisons likely more valid from the outset.²⁶ However, it has been put that the US legal system is "an example of English law being transplanted into a legal and constitutional set up which is radically different from the common law homeland"²⁷ – which is why, *inter alia*, this thesis treats the differences with great respect – and analyses in particular the impact of the federal nature of the US at the outset in Part 3.²⁸ This aids in avoiding the pitfalls in comparative legal analysis.²⁹

In terms of the comparison itself, it can broadly be stated that this loosely follows Kamba's three main stages; (a) the descriptive phase; (b) the identification phase; and (c) the explanatory phase, in Parts 2 – 4.³⁰ The important aspect in this regard is that these stages have been carried out, that the discourse met the objectives (here the research questions), particularly in Part 4.³¹

Before launching into comparative analysis, discussion and conclusion of 3PCL in both US and UK contexts with the ultimate aim of providing proposals, it is worth briefly restating the problem being treated. As the discussion of 3PCL in the UK including the conclusion to such in part two will highlight, there are several areas for discontent.

The overarching criticism is that there are too many inconsistent, at times contradictory, open ended definitions and justifications deployed in a treatment of both authorisation and joint liability in the UK. This has two primary effects. The first is an unacceptable level of legal uncertainty that impacts negatively on industry risk assessments, whether undertaken by the content producing or content using industry. The specific impact on industry risk assessments on the part of the content producing industry can further be split into two categories. The first is that certainty in this context allows individual actors to contemplate the risks associated with particular, both new and old, forms of online dissemination of

²⁶ Ibid, 100, see also the 'list of defining features' on p. 102.

²⁷ Ibid 107.

²⁸ Part 3(A)(I).

²⁹ See of course also Kahn-Freund, On Uses and Misuses of Comparative Law, 37 MLR 1 (1974) for an overview.

³⁰ See Kamba, Comparative Law: A theoretical Framework, 23 ICLQ 485 (1974).

³¹ See also De Cruz's eight step; Comparative Law in A Changing World, 2nd Ed., Cavendish (1999), 235.

works, to the extent that abuse and copyright infringement can be controlled at source. The second, if to a certain extent overlapping, category concerns the direct appraisal of outcomes of legal action against targeted OSPs – as useful in both an initial cost-benefit analysis as well as the fundamental importance to both pre-action negotiation and settlement. Concerning the impact of the cited legal uncertainty on the OSP industry, it may be noted that to a certain extent it is analogous and partly the inverse to that of the content providing industry. Firstly, there are negative impacts on the development of nascent OSP services, embarking on the provision of which exposes OSPs to un-quantified legal risk in this respect, arguably chilling innovation, given the potentially fatal damages awards that affect not only particular business divisions but the entire undertaking.³² The second, again to a certain extent overlapping, category is the mirror image of the above mentioned content providing industry's litigation related assessments.

The second primary effect is of a systemic nature, and will be identified in the conclusion to the UK Part. It is that given the nature and scope of the problem, it raises constitutional concerns, despite factoring in case law driven aspects of the UK legal system. Given the crucial importance of the field of business that OSPs are in, in terms of future economic growth and technical as well as social infrastructure,³³ judicial flaying around is unforgivable as is the seemingly *ad-hoc* partial adoption of foreign legal concepts, descriptions and factors.³⁴

It is clear that given the impact the state of the law is having on the market actors as well as not only users, but society at large, a legislative revision is called for.

The above problems justify the reassessment of 3PCL in the UK, to a large part drawing on the experiences in the most important copyright jurisdiction in the

³² See *Viacom*, (n14); LimeWire settlement, [http://www.reuters.com/article/2011/03/08/us-limewire-settlement-idUSTRE72740520110308\(30May2011\)](http://www.reuters.com/article/2011/03/08/us-limewire-settlement-idUSTRE72740520110308(30May2011)).

³³ Digital Britain Final Report, June 2009, <http://www.official-documents.gov.uk/document/cm76/7650/7650.pdf>; Hargreaves, (n425).

³⁴ Discussion and partial adoption of different theories and factors relating to 3PCL commenced in *Amstrad* and carried to new heights in *Newzbin*.

world, namely the USA, which has benefited from extensively developed case law.³⁵

4) Parts Outline, Sources and Limitations

(a) Parts Outline

UK copyright law is examined in Part 2, US copyright law in Part 3 and general conclusions but also specific 3PCL comparisons and reform proposals are presented in Part 4.³⁶ The parts very much build on each other. In terms of the first hypothesis, this is mainly concluded in Part 2, Chapter D(VII), but also, inherently, when concluding the second hypothesis in Part 4, Chapter D.

Whereas both parts include 3PCL extrinsic/intrinsic analysis, Part 3 already includes comparisons,³⁷ for the above referenced purposes, naturally excluding 3PCL which is, given its importance, reserved for Part 4.³⁸ This separation also allows for the clear inclusion of detailed proposals for reform.³⁹ It will be observed that this thesis develops organically and is interwoven. The findings of the extrinsic and intrinsic analysis of UK copyright law validate and prompt both the analysis of US law, as well as the final comparative conclusions and proposals.

(b) Sources & Limitations

It remains to be added that the sources consulted are broad for each jurisdiction; they range from the leading specialist copyright practitioner works, focused industry specific works and articles to government and industry reports. In terms of limitations, it must be stated that the comparison of both jurisdictions inures to

³⁵ Importance measured in terms of the operational and financial size of the indigenous content producing/using industries, marketplaces, influence and litigiousness. Yielding national and international relevance in this regard.

³⁶ 3PCL is concluded in Chapter D(VII).

³⁷ Part 3, A(7), B(VIII), C(VI)(10), D(I)(5), E(I)(3), (II)(3).

³⁸ Part 4, Chapter C.

³⁹ Part 4, Chapter D.

the sole benefit of the establishment of 3PCL proposals for the UK and the examination and comparison of other aspects of the copyright systems exists to validate and support arguments concerning the requirement and formulation of such. Every effort has been made to keep the thesis up to date as of June 2011.

PART 2 – UNITED KINGDOM

A. The System of Copyright Protection

*Copyright is an institution built on intellectual quicksand.*⁴⁰

This Part will examine the current status of third-party OSP liability in the UK, taking into account not only legal aspects, but also relevant commercial and political considerations, as well as technological facets as they relate to and aid said examination. In doing so, a logical and cumulative approach is taken in carefully constructing awareness of the requisite problem areas. It follows that the reader will first briefly be guided through the spirit of copyright in the UK; this includes a familiarisation with relevant protectable categories as well as the requirements for bringing a work within one of these. This approach will then aid not only an understanding the following examination of the rights attached to the various categories of works in question, but is also imperative since it reflects the approach taken in litigation, as outlined below, and thus much more than incidentally ties in with the practical nature of this thesis.⁴¹ For the rights attached to certain categories influence the ways in which OSPs can be held liable for their acts or omissions in relation to the protected categories of works.

I. Statutory Regime

Under UK law, copyright is a creature of statute. Many UK lawyers, or those dealing with UK copyright law, reflect on the passing of the Statute of Anne in 1709 with great pride, this having been the first CA in the world. This fondness was arguably however tempered briefly for approximately 5 years from 1769 with the

⁴⁰ M. Rose, *Authors and Owners: The Invention of Copyright* (Harvard University Press, Cambridge, 1993), 142.

⁴¹ This thesis is practical in the sense that it aims to provide an analysis that is of practical significance i.e. that allows for the adoption or promulgation of legislative reforms, and also provides insights into the functioning of, in particular, 3PCL to interested market participants.

King's Bench decision in *Millar v Taylor*,⁴² which held that a perpetual common law "copy-" right coexisted with the Statute of Anne - until the House of Lords overturned said ruling in *Donaldson v Beckett* (1774),⁴³ by expressly holding that copyright was the deliberate creation of the Statute of Anne and as such was henceforth exclusively defined as statutory property. The effect of *Donaldson v Beckett* was that common law copyright after the commencement of the Statute of Anne was annulled in all but unpublished works. The CA 1911 in turn abolished any common law copyright subsisting in unpublished works.⁴⁴ This means that copyright at common law, as we would now refer to it, and as it had existed prior to said enactment, was finally laid to rest as such but simultaneously, seemingly already following a trend, resurrected in a much expanded form by repeat codification in 1911. At present, the governing statute is the Copyright Designs and Patents Act (CDPA 1988) which came into force on 01 August 1989.

1) The Dominion of EU Law

Copyright in the UK is also subject to EU law. A number of EU Directives which harmonise copyright laws have a direct effect in the UK.⁴⁵ This means that any citizen of a Member State of the European Union may sue that Member State before the national courts for non-compliance with an EU Directive. The UK is required to be compliant with any and all EU Directives, usually by the dates set forth in the Directives themselves. This means that the UK must implement these Directives into national law in a manner deemed appropriately compliant. The European Commission or other Member States also have the option to sue or take action a Member State for non-implementation. Normally in the UK EU Directives are transposed into national law by statutory instruments (SIs). It should perhaps also be noted that to date there is only one Council Regulation which has

⁴² *Millar v Taylor* (1769)4Burr.2301.

⁴³ *Donaldson v Beckett* (1774)4Burr.2407.

⁴⁴ The exceptions being paintings, drawings and photographs unpublished prior to the Copyright Act 1911 as per s.37(2)(a), which ceased on publication, for a discussion of such based on a manuscript, see *Re Dickens*, [1935]Ch.267.

⁴⁵ Currently the EC Directives on Semiconductor Topographies 87/54, Computer Programs 91/250, Rental Lending and Neighbouring rights 92/100, Satellite and Broadcasting and Cable Transmission 93/83, Copyright Duration 93/98, Legal Protection of Databases 96/9, Legal Protection of Services Based on or consisting of a Conditional Access 98/84, EUCD, Enforcement Directive, Artists Resale Right 2001/84.

implications for copyright law.⁴⁶ Council Regulations do not have direct effect in the UK, or indeed any other Member State. Furthermore, the Treaty of Rome contains several provisions relating to the free movement of goods, agreements which restrict or prevent or distort competition, and the abuse of a dominant position by undertakings in a particular market which have effect on copyright law in the UK.⁴⁷

2) Relevant International Law

Copyright in the UK is to certain extent regulated by international agreements which the UK has entered into and implemented, which aim to ensure cooperation and legal uniformity between the signatory states. There are three primary international agreements namely the Berne, Universal Copyright Convention⁴⁸ and TRIPS. These agreements have been subject to a number of amendments over the years. For example, Berne was last revised as specified in the Paris Act of 1971. Naturally, it will be remembered that the WIPO Treaties of 1996, which the UK is a signatory to, also modify Berne.⁴⁹ The UK is also a member of several other important international copyright conventions and agreements, which there is however no need to delve into.⁵⁰

Copyright has been admirably described in preparation for CDPA's predecessor, the 1956 CA, by the Gregory Committee on Copyright Law in 1952 as being;

[A] right given to or derived from works, and is not a right in the novelty of ideas. It is based on the rights of an author, artist or composer to prevent another person copying an original work. There is nothing in the notion of copyright to prevent

⁴⁶ Council Regulation 3295/94 of 22 December 1994 which governs free circulation, export, re-export or entry of counterfeit or pirated goods.

⁴⁷ These are Arts 28 to 30, 49 to 55, 81 and 82 of the Treaty of Rome respectively.

⁴⁸ Universal Copyright Convention 1952.

⁴⁹ These include the WIPO Copyright Treaty 1996, WIPO Performances and Phonograms Treaty 1986.

⁵⁰ Other international copyright conventions and agreements include the Rome Convention, Phonograms Convention the WTO, GATS and the lesser-known Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite 1974, European Agreement concerning Program Exchanges by Means of Television Films 1958, Agreement on the Protection of Television Broadcasts 1960, European Agreement on the Prevention of Broadcasts Transmitted from Stations outside the National Territories 1965 and the European Convention Relating to Questions of Copyright Law and Neighbouring Rights in the Framework of Trans Frontier Broadcasting by Satellite 1994.

another person from producing an identical result (and himself enjoying a copyright in that work) provided it is arrived at by an independent process.⁵¹

The Whitford Committee artfully stipulated that:

A writer writes an article about the making of bread. He puts words on paper. He is not entitled to a monopoly in the writing of articles about the making of bread, but the law has long recognised that he has an interest not merely in the manuscript, the words on paper which he produces, but in the *skill and labour* involved in the choice of words and the exact way in which he expresses his ideas by the words he chooses. If the author sells copies of his article then again a purchaser of a copy can make such personal use of that copy as he pleases. He can read it or sell it second hand, if you can find anyone who will buy it. If a reader of the original article is stimulated into writing another article about bread the original author has no reason to complain. It has long been recognised that only the original author ought to have the right to reproduce the original article and sell the copies thus reproduced. If other people were free to do this they would be making a profit out of the *skill and labour* of the original author. It is for this reason that the law has long given to authors, for a specified time, certain exclusive rights in relation to so-called literary works. Such rights were recognised at common law at least as early as the fifteenth century.⁵²

What the Committee made clear is that copyright attaches only to expressions and “not to ideas, procedures, methods of operation on mathematical concept of such.”⁵³

The nature of this property right is such that it is exclusive and allows the owner of said right to take certain actions as regards his right. More specifically s.2(1) CDPA stipulates that the benefits of being an owner of copyright are that one has the exclusive right to perform respective restricted acts.

Yet before examining the acts which are restricted i.e. the acts specified in Chapter 2 CDPA 1988, as dealt with below, it is worth defining copyright more narrowly. It has already been noted that copyright is a property right; this holds true for all

⁵¹ Report of the (Gregory) Committee on Copyright Law, Cmnd 8662(1952).

⁵² Report of the (Whitford) Committee on Copyright and Design Law, Cmnd 6732(1977) (emphasis added).

⁵³ TRIPS, s.1, Act 9.2.

copyright works, of which there are several different kinds. Works in which copyright may subsist include original literary, dramatic, musical or artistic works, sound recordings, films or broadcasts and the typographical arrangement of published editions.⁵⁴ It however bears repeating that this thesis will only look at those categories and rights relevant to phonographic or cinematographic works.

It must also be borne in mind that the Copyright and Related Rights Regulations 1996 give a person publishing⁵⁵ for the first time, a previously unpublished work, after the expiry of copyright protection, a property right known as a Publication Right. Said Publication Right is, according to the regulations, equivalent to copyright. The publication right expires at the end of the period of 25 years from the end of the calendar year in which the work was first published and the publication right attaches to literary, dramatic, musical, artistic works or films.⁵⁶

Having briefly highlighted which general categories of subject matter are capable of harbouring a copyright work under CDPA 1988 and the Copyright and Related Rights Regulations 1996, it is now worth delving into the subject matter of protection in more detail. This examination will include other requirements for copyright protection where relevant; namely the fixation, originality and qualifying conditions.

3) A Compact Taxonomy of Works in the UK

The scope of copyright has steadily grown in terms of new categories in tandem with technological advances and the endeavour to safeguard such.

⁵⁴ These are the categories in CDPA 1988 s.1 (1).

⁵⁵ Publication is defined in the Copyright and Related Rights Regulations 1996 (SI 1996/2967) S.16 (2) as being; (a) the issue of copies to the public; (b) making the work available by means of an electronic retrieval system; (c) the rental or lending of copies of the work to the public; (d) the performance, exhibition or showing of the work in public; or (e) broadcasting the work or including it in a cable programme service.

⁵⁶ Copyright and Related Rights Regulations 1996 (SI 1996/2967) S.16 (6) and (7)

1) *Literary works*

Literary works are described in s.3(1) CDPA 1988 in inclusive terms as being any work that is not a dramatic or musical work, which is written, spoken or sung. This category specifically includes tables, compilations, databases, computer programs and preparatory design material.⁵⁷

2) *Dramatic Works*

The CDPA 1988 does not define dramatic works beyond the definition in s.3(1), namely that the category "dramatic work" includes a work of dance or mime.

A literary work cannot be a dramatic work or vice versa. A cinematographic work can be classified as a dramatic work. A dramatic work can be distilled down to a work that must include *action* of some sort, which may or may not be accompanied words or music.⁵⁸

3) *Musical Works*

The statutory definition of musical works started with s.3(1)(d) CDPA 1988 and is limited to music *without* words or action that would accompany it by being sung, spoken or performed.

In *Sawkins v Hyperion Records Ltd*, Patten J noted that the CDPA 1988 does not define music in the definition of a musical work.⁵⁹

Whilst the words which are sung in a musical piece did not form part of said piece in *Hayes v Phonogram Ltd*, Blackburne J cited Baker J in *Williamson Music Ltd v*

⁵⁷ See CDPA 1988, s. 178; "writing" is broadly defined regarding, any notation or code, fixation, medium. Successive 'drafts' are protected; *Sweeney and another v Macmillan Publishers Ltd and another*, (2002) AllER(D)332.

⁵⁸ *Norowzian v Arks Ltd (No.2)* [2000] F.S.R.363,366-367.

⁵⁹ *Sawkins v Hyperion Records Ltd.*, [2005] ECDR10,103[55].

The Pearson Partnership Ltd;⁶⁰ 'the human voice can constitute a part of the overall orchestration of a musical work, much like a musical instrument in a band or an orchestra.'⁶¹

i) Fixation of Literary, Dramatic and Musical Works

In order for copyright to subsist in a literary, dramatic and musical work, it must take material form. This provides proof of the existence of the work. It is irrelevant by whom⁶² and how the work is fixed, beyond the requirement noted above, that a literary work must be written, spoken or sung.⁶³ Fixation inherently also defines the moment at which a work will enter the public domain.

The 'Assumption' of Fixation: Sound Recordings, Films and Broadcasts

The CDPA 1988 does not specify any requirement of fixation for the categories of sound recordings, films and broadcasts; these categories imply an element of material fixation.

ii) Originality Requirement for Literary, Dramatic and Musical Works

The CA 1911 first introduced a statutory requirement of a modicum of originality. Prior to this, it was held in *Walter v Lane*,⁶⁴ decided under the Literary Copyright Act 1842, that a very low level of originality was required. It was held in *Express Newspapers Plc v News (U.K.) Ltd*,⁶⁵ by Browne-Wilkinson V.-C., that even under the CA 1911 *Walter v Lane* might have remained good law.

⁶⁰ *Williamson Music Ltd v The Pearson Partnership Ltd*. [1987] F.S.R. 97, 109.

⁶¹ *Hayes v Phonogram Ltd.*, [2003] ECDR 11, 158 [60].

⁶² S.3(3) CDPA 1988; *Donoghue v Allied Newspapers Ltd*, (1938) Ch. 106, 109-110.

⁶³ S.3(2) CDPA 1988.

⁶⁴ [1900] A.C. 539.

⁶⁵ [1990] 1 W.L.R. 1320, 1326.

It is well known that copyright can only subsist in the expression of an idea and not the idea itself - “idea/expression dichotomy”. As such, the requirement of originality will only relate to the expression of the idea/thought and not the thought itself, as held in *University of London Press Ltd v University Tutorial Press Ltd*.⁶⁶

Two requirements

Under UK law there are two aspects to the originality requirement; (1)the work must *originate from the author directly*; meaning that the work for which authorship and thus originality is claimed must not be copied from elsewhere,⁶⁷ and;(2) *more than negligible effort and skill* must have been expended in the creation of the work.⁶⁸ Thus, there is no precise measure as to what labour skill or judgement might be required.⁶⁹

There is currently no requirement for originality for sound recordings, films and broadcasts, because they usually contain other works.

Berne Convention

In international law, under the Berne there is no requirement for originality *per se*. Rather, it is implied - as a result of *an author's own intellectual efforts*, and only in that sense original to that person. The Berne members have applied this standard in different ways. Most notably in the US, in *Feist Publications Inc v. Rural Telephone Service Co*, it has been held that to be worthy of protection an author's work must have an element of creativity to be original.⁷⁰ This arguably ensures that only the expression and not the idea is protected.⁷¹

⁶⁶ [1916]2Ch.601,PetersenJ,608.

⁶⁷ *British Northrop Ltd v Texteam Blackburn Ltd* [1974] R.P.C.344,68 -but see also the trusty case of *Walter*,(n64),554.

⁶⁸ *Ladbroke (Football) Ltd v William Hill (Football) Ltd*, (1964)1W.L.R.273,287.

⁶⁹ *Cambridge University Press Ltd v University Tutorial Press Ltd*, (1928)45R.P.C.335.

⁷⁰ 499 U.S 340 (1991).

⁷¹ Part3,ChapterA(I)(4).

Until recently, the harmonisation of national copyright laws in the European Community has been driven by two Directives; the software⁷² and database⁷³ Directives. Both emphasise the necessity that the work is the author's own intellectual creation in relation to the originality requirement. The CDPA 1988 was not amended to reflect this requirement, except concerning databases.⁷⁴ The recent CJEU case *Infopaq International A/S v Danske Dagblades Forening*, (as well as the reference)⁷⁵ adopt the Berne standard of originality, namely “the author’s own intellectual creation”. The CJ’s judgment can be said to be an additional definition under UK law, one that is given substance through a compatible body of centuries old well developed ratios.

4) *Sound Recordings*

Sound recordings⁷⁶ may be recordings of any sound, and often distinct from the copyright in any compositions (most likely protected as literary, dramatic or musical works) that are the subject of the sound recording. The definition in the CDPA 1988 is a technology neutral definition, and contrary to previous Copyright Acts "recording" is also not defined. The precise meaning of “sound recordings” is explained in s.5A⁷⁷ and is straightforward.⁷⁸

Film Soundtracks

⁷² Council Directive, 91/250(1991)O.J.L122/42.

⁷³ Directive 96/9(1996)O.J.L77/20.

⁷⁴ See CDPA 1988,s.3A.

⁷⁵ Case C-5/08 [2009] E.C.R. I—6569; Case C-302/10.

⁷⁶ S.1(1)(b),CDPA 1988.

⁷⁷ CDPA 1988,s.5A, in its renumbered version came into existence following the enactment of the Duration Regulations.

⁷⁸ Note s.5A(2); no copyright where copied from a prior recording.

Film soundtracks are included in the definition of recordings.⁷⁹

5) Films

S.5B CDPA 1988 defines films as 'a recording on any medium from which a moving image may by any means be produced'.

6) Broadcasts

The protected category of 'broadcasts' is, in the interests of convenience and logic, examined in depth below.⁸⁰

4) Formalities/Registration

Following the Copyright Amendment Act 1842 works generally no longer had to be registered before publication, as originally required by CA 1709 (Statute of Anne).⁸¹ Reference is made to Part 3 and issues with copyright registration in the US, which allows the right holders certain benefits in litigation both procedurally regarding proof and concerning the types of damages available.⁸²

5) Term of Copyright

Once a work has been created, and the species of work has been determined, the date of creation/first exploitation or death of the author will have to be identified. The exact date will be important due to the fact that successive Acts have changed

⁷⁹ CDPA 1988, Schedule 1, paragraph 8(1).

⁸⁰ Part 2, Chapter B(II)(2)(a).

⁸¹ See also Art. 5(2) Berne and s. 8 CA 1911.

⁸² Part 3, Chapter A(I)(5).

the statutory periods of protection, yet they have generally not done so retrospectively. Generally, the periods of protection have been extended.⁸³ Most Copyright Acts until recently repealed their predecessor acts, leaving only transitional provisions. However, the Duration Time Directive meant that the Duration of Copyright and Rights in Performances Regulations 1995 (the Duration Regulations) which took effect from January 1, 1996 require the author or other such interested parties to examine not only the traditional transitional provisions of the CDPA 1988 but also the effect the duration regulations have had.

For the purposes of this thesis only two time periods will be of particular relevance given the limitation to online infringement. The first time period begins on or after 1 August 1989 but before 1 January 1996. For this period the relevant provisions in the CDPA 1988 as amended, will be relevant as well as the CDPA 1988 as originally enacted and transitional provisions contained in regulations 12 to 16 the Duration Regulations. The second period of relevance will be works that have been created on or after 1 January 1996 for which, fortunately, only the CDPA 1988 as amended need be considered.

a) CDPA 1988 as originally enacted

The CDPA 1988 as originally enacted provided for all literary, dramatic, musical and artistic works a period of protection lasting until the end of the period of 50 years from the end of the calendar year in which the author died, and for sound recordings, films, broadcast and cable programs a period of protection last until the end of the period of 50 years from the making of such work.

b) The Term Directive/Duration Regulations

⁸³ See also Gowers Review of Intellectual Property, "Recommendation 3: The European Commission should retain the length of protection on sound recordings and performers' rights at 50 years.", (2006 The Stationary Office), at 56, http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/pbr06_gowers_report_755.pdf (17 October 2010).

Sections 12-15 CDPA 1988 were amended concerning works published after 1 January 1996. The Directive extended the period of copyright protection to a period of 70 years after the death of the author, and harmonised the method of calculation of the period of protection. It also afforded protection for works of non-Community nationals.⁸⁴ The Duration Regulations also had retrospective effect for three categories of works that were existing/made before 1 January 1996 namely to existing works, yet these are of marginal relevance to this thesis.⁸⁵

c) Sound Recordings

i) Sound recordings made on or after 1 August 1989

Copyright subsists in sound recordings made after commencement of the Duration Regulations on 1 January 1996 as well as retrospectively back until 1 August 1989, in accordance with s.13A(2)(a) CDPA 1988, until the end of the period of 50 years from the end of the calendar year in which the recording was made, or in accordance with s.13A(2)(b) CDPA 1988, copyright will last 50 years from the end of the calendar year in which it was released.

d) Films

i) Films made on or after 1 January 1996

Films made on or after 1 January 1996 receive extended protection by the Duration Regulations, compared to the original position in the CDPA 1988. The copyright in these films is 70 years from the end of the calendar year in which the last of the number of designated persons died.⁸⁶ Should there be no one falling

⁸⁴ Duration Regulations, Reg. 36.

⁸⁵ See Reg. 16(b-c).

⁸⁶ CDPA 1988, s. 13B(2).

within these categories, the period of protection is fixed at 50 years from the end of the year in which it was made.⁸⁷

ii) Films made on or after 1 August 1989 but before 1 January 1996

Under the old regime in the CDPA a film falling into the above time period would qualify for a period of protection of 50 years from the end of the year in which it was made,⁸⁸ and if released during that time for a further 50 years from the end of the year in which it was released.⁸⁹ This is of course subject to Duration Regulations Reg.15.(1) that, as noted above, copyright in an existing copyright work shall continue to subsist until the date on which it would have expired under the 1988 provisions if that date is later than the date on which copyright would expire under the new provisions.⁹⁰

e) Broadcasts

Broadcasts are the only category of works for which the Duration Regulations did not require an altered re-enactment of relevant provisions in the CDPA 1988. The position is that currently copyright in the broadcast will cease to subsist at the end of the period of 50 years from the end of the calendar year in which the broadcast was made.

f) Other aspects (limitations)

The above categories are those which are relevant to this thesis. There are of course other regulations concerning other categories. These are however beyond the scope of this thesis.

⁸⁷ CDPA 1988,s.13B(9).

⁸⁸ CDPA 1988,s.13(1)(a)(unamended).

⁸⁹ CDPA 1988,s.13(1)(b)(unamended) - as mentioned above; film "release" was introduced with the CDPA 1988 and is defined as acts of public exploitation see s.13(2)(b) (unamended) CDPA 1988.

⁹⁰ See Duration Regulations,Reg.16(c).

6) Conclusion

In terms of ground work, an essential taxonomy of works in the UK has been undertaken, which assists the thorough and logical ‘building block’ approach of this thesis; ultimately allowing for a more precise understanding of OSP liability.

In terms of the wider context of this thesis, namely in particular the opposing industry interests identified and discussed in Part 1, it can be summarised that the categories of works which attract protection has multiplied in tandem with technological advances and that two views may be taken of this. The first view, as noted above, is that a precise statutory delineation of categories of works leads to targeted protection and legal certainty. The converse view is that a steady automation has been set in motion, leading to the arguably unquestioning categorisation and thus subsequent protection of new forms of subject matter. This view is compounded by the structure of the current legislation; such categorisation inherently lead to restricted acts being applied, whereas they do not automatically prompt a sufficient simultaneous consideration of exceptions or limitations.⁹¹ Whilst it is beyond the scope of this thesis to consider theories of justification, at this juncture, these inevitably impact on both views.⁹²

B. Primary Copyright Infringement

Having looked at the requirements of protection of relevant categories of works it now behoves to study exactly what this protection entails. Copyright has been classified as a statutory property right.⁹³ As such it is an economic good that is licensable or assignable. Many commentators have however questioned this

⁹¹ Some works are also denied protection by the courts in limited circumstances; see K. Garnet QC and others, *Copinger & Skone James on Copyright*, (16th Ed. Sweet & Maxwell 2010), 16th Ed, [3-304] for these categories.

⁹² H. Wiese, The justification of the copyright system in the digital age [2002] E.I.P.R. 24(8), 387-396. See also S. Fitzpatrick, “Copyright Imbalance: U.S. and Australian Responses to the WIPO Digital Copyright Treaty” [2000] E.I.P.R. 214 at 215-216.

⁹³ Copyright Act 1911, s.5, “ownership”.

classification, preferring other less "powerful" definitions.⁹⁴ These criticisms have become more frequent and the critics of this classification more vocal, as society, due to technological advances, increasingly resembles that of an Information Society where information which is often copyrighted and accessed or handled/copied via digital means is increasingly becoming central to many aspects of private as well as commercial life. In fact, how copyright is classified will have a bearing on how it is looked upon and dealt with by legislators. It is for this reason that the classification of copyright as a property right is a main point of contention in what have been termed the "copyright wars" between competing industry interests, as referred to in the preceding Part.

This Chapter will first delineate primary, secondary and third-party copyright liability, before discussing in detail the most relevant rights pertaining to infringement in OSP contexts; namely the communication to the public, making available and the reproduction rights.

I. Delineation & Meaning of Restricted Acts

A statutory property right in the form of copyright allows the owner of said to do various "restricted acts" concerning the protected work. It follows that others are generally not entitled to do such "restricted acts". Should unauthorised persons however engage in such they will become liable for infringement of copyright. Before precisely delineating the meaning of infringement of copyright, it is important to note the procedure that is followed before such an action can be filed.

It will firstly have to be determined whether the work falls into one of the categories of work in which copyright subsists. These categories have been studied and defined above in detail. The second criterion is whether the term of the copyrighted work is still ongoing. This has also been discussed, with reference to the relevant categories of works, in detail above. The third step will require an examination of whether;

⁹⁴ See Patry,(n6)generally.

- 1) a restricted act has been committed with or without the authorisation of the owner of the copyright and/or
- 2) an act of secondary copyright infringement has been committed with "guilty" knowledge.

It should be noted in relation to the two categories above that the first concerns itself exclusively with the "restricted acts" and thus pertains to copyright in the "traditional" sense and thus primarily to primary infringement which under UK law includes what might in other jurisdictions, most notably the US, be called "secondary infringement". The second category, however, does not concern itself with incursions into a copyright holder's sphere of rights *per se*, in the sense that such acts of infringement arguably do not touch upon any of the copyright holders exclusive property rights. It has been suggested by some commentators that in this respect the second category of infringement could be said to constitute additional rights of the copyright owner.⁹⁵ Additional, in this sense would mean additional to s.16 CDPA 1988, instead of merely pointing to s.96 CDPA 1988, which deals with the copyright owner's right to bring an action for infringement. It would indeed seem that, whether additional or not, these rights are assignable. When assigned with a clause that gives the licensee the right to "to exercise any right which could be exercised by the copyright owner" these include the rights specified in ss. 22-26 CDPA 1988.⁹⁶

Having noted the two categories of infringement, as specified in the CDPA 1988, it is now worth turning to the content i.e. the prohibited acts pertaining to these categories. Broadly, the rights of copyright holders can be split into "reproduction" and "performing" rights. The restricted acts can be said to be drawn from two areas of law, the first domestic and second international.⁹⁷ The definition in s.16(1) CDPA 1988 includes the exclusive right to do the following;

- (a) copy the work (see section 17) ("the reproduction right"⁹⁸);
- (b) issue copies of the work to the public (section 18) ("the distribution right");

⁹⁵ *Copinger*, (n91)[7-02].

⁹⁶ *Biotrading & Financing OY v Biohit Ltd*, [1998] F.S.R. 109, Aldous LJ, 127-128.

⁹⁷ Part 2, Chapter A(I)(1), (2).

⁹⁸ This description as well as the following do not form part of the CDPA 1988.

(ba) rent or lend the work to the public (section 18A) ("the rental and lending rights");

(c) perform, show or play the work in public (section 19) ("the public performance right");

(d) communicate the work to the public (section 20) ("the communication to the public right"); and

(e) make an adaptation of the work or do any of the above in relation to an adaptation (section 21) ("the adaptation right").

In relation to the above it will of course be relevant that these are statutory rights giving rise to strict liability and therefore actionable without actual damage.⁹⁹

II. The Communication to the Public Right

Within the category of primary copyright infringement, communication to the public is the most important category, since given its nature it has the utmost potential to apply in OSP related contexts. In examining the rights falling into this category, the legislative background is analysed, placing the current status quo into perspective and allowing a detailed analysis of the constituent elements of the umbrella term "communication to the public"; meaning broadcasting, making available and other communication to the public. Such detailed analysis includes, concerning broadcasting, analysing a shift by means of examining the previous cable programme right, and concerning making available, placing the right in context by means of jurisprudential consideration. Thereafter, having discussed the rights in detail, important uncertainties which potentially lead to increased OSP liability, are identified and discussed. Lastly, a conclusion provides a concise analysis of the state of the law as discussed, in particular as it concerns OSPs.

⁹⁹ CDPA 1988, s.16(2); older case law: *Weatherby & Sons v International Horse Agency and Exchange Ltd* [1910] 2 Ch. 297, 305.

1) Background

In order to appreciate the complexity and problems that have been identified in this area it is worth briefly examining the relevant technological and legislative history in this area, taking a chronological approach.

a) The 'old' UK regime

The most logical place to begin such an overview from a UK perspective is the old regime. The CA 1956 introduced the right to broadcast works to the public via a wireless service, which was later accompanied by the right of transmitting works to the public by cable services following the CBA 1984.¹⁰⁰ This meant that broadcasts and cable programmes were defined and protected intrinsically as works, separate as such, from a performance right. Similar protection was initially afforded by the CDPA 1988 in that both categories were restricted acts. The element at the centre of the cable programme right, namely the "cable programme service" was defined as the transmitting of visual images, sounds or other information via a telecommunications system. The significance of this will be explored below, yet it may be noted here that it is thought that it also applied in Internet contexts.

b) International Treaties (1996)

The 1996 WIPO Treaties, namely the WCT and WPPT, can be said to be responses to the advent of the Internet, supplementing protection afforded by the Berne and the Rome Convention in this regard.

Berne provided, concerning literary and dramatic, works for the right of authorising broadcasting and the communication to the public by wire and wireless means of such. The right afforded to dramatic, dramatico-musical and musical works merely pertained to the authorisation of communication to the

¹⁰⁰ CA 1956; ss.2(5)(d),(e),3(5)(c),(d),12(5)(c),13(5)(c),(d),14(4)(d).

public in relation to the performance of such.¹⁰¹ The Rome Convention concerning remuneration for phonogram producers provided a restricted form regarding broadcasting and communication to the public of commercially published phonograms, leaving out such a right for general broadcasting or communication to the public altogether.¹⁰²

Art.8 WCT expanded protection for literary and artistic works by creating the right of communication to the public by wire or wireless means which includes the right of making available works to the public so that such may be accessed from a place and at a time chosen by individual members of the public. This subpart of “making available” has been termed by commentators an “on demand availability right” and was the most direct response of its kind to the internet related developments.

Arts.14 and 15 of the WPPT expanded of the right of remuneration for phonogram producers to include in particular a right concerning the making available of recordings via an on demand service, to match the new WCT provisions. Whilst a general communication to the public right is however absent, a limited version was provided for television broadcasts.¹⁰³

c) EC Response (2001)

One of the objectives of the EUCD was to give effect to the 1996 Treaties identified above,¹⁰⁴ yet only to mention this aim would do the history leading up to the adoption a disservice: There were several milestones in the development of the Directive dating back to the mid 1990s, the very early days of the public commercial internet. The ‘harmonisation’ process was initiated by the Commission’s Green Paper of 1995 on Copyright and Related Rights in the Information Society.¹⁰⁵ This was followed by the introduction of an initial Proposal

¹⁰¹ Berne;Art.11*bis*.

¹⁰² Rome Convention;Art.12.

¹⁰³ WPPT;Art.13.

¹⁰⁴ *Copinger*,(n91),7-118.

¹⁰⁵ European Commission, *Green Paper on Copyright and Related Rights in the Information Society*, Brussels, 19.07.1995, COM(95)382 final.

for the EUCD in 1997 as subsequently amended in 1999. Following the Common Position in 2000, the EUCD was finally adopted in 2001.¹⁰⁶

It will thus be clear that, as the later Implementation Report aptly acknowledges, the thinking behind the Directive originated in the early to mid 1990s.¹⁰⁷ As a result, it was designed as a counter-measure against the legal challenges posed by the “information society” at the time. It is almost trite to mention that the Internet has evolved into something very different than could have been imagined. The report thus acknowledges that “the roll-out of such online content services as iTunes, and the rapid deployment of Digital Rights Management systems that existed largely in theory when the Directive was adopted, has resulted in a real rapidly growing and vibrant marketplace digital content services in Europe and elsewhere.”¹⁰⁸

Art.3(1) EUCD requires a general communication to the public right by wire or wireless means, which corresponds to broadcasting, and the right to make a work available to the public by wire or wireless means so that the work may be accessed by members of the public at a place and time of their own choosing.¹⁰⁹

The scope of this right has recently been delineated by two judgments. It may be stated that this right is broad. In *Football Association Premier League Limited v QC Leisure* (F.A.P.L. v QC Leisure),¹¹⁰ as discussed in depth below, the Court of Justice has stated that “Communication to the public” within the meaning of Art.3(1) of

¹⁰⁶ *Study on the Implementation and Effect in the Member States’ Laws of Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society*, Lucie Guibault et al, Institute for Information Law, University of Amsterdam, The Netherlands, February 2007, http://ec.europa.eu/internal_market/copyright/docs/studies/EUCD-study_en.pdf, (accessed 16 January 2011) citing Walter in M.M. Walter (ed.), *Europäisches Urheberrecht*, Vienna, Springer Verlag, 2001, 1009-1113; S. Bechtold, “Comment on Directive 2001/29/EC”, in T. Dreier P.B. Hugenholtz (ed.), *Concise on European Copyright Law*, Alphen aan den Rijn, Kluwer Law International, 2006, § 1.

¹⁰⁷ *Ibid*; *The Implementation of Directive 2001/29/EC in the Member States*, Dr. Guido Westkamp, Queen Mary Intellectual Property Research Institute, Centre for Commercial Law Studies, Queen Mary, University of London, http://ec.europa.eu/internal_market/copyright/docs/studies/EUCD-study_en.pdf and http://ec.europa.eu/internal_market/copyright/docs/studies/EUCD-study-annex_en.pdf (16 January 2011).

¹⁰⁸ *Ibid*, Part 1, Preface.

¹⁰⁹ The EUCD does not reference a remuneration right due to the Rental and Related Rights Directive 2006/115/EC.

¹¹⁰ [2008]EWHC1411(Ch); [2008]3CMLR 12 and Joined Cases C-403/08 and C-429/08(CJEU Judgment of 04 October 2011); [2012] F.S.R. 1.

Directive 2001/29 must be interpreted as covering transmission of ... broadcast works, via a television screen and speakers, to the customers present in a public house". The very same court had also determined in the earlier case *Sociedad General de Autores y Editores de Espana (SGAE) v Rafael Hoteles SL* (SGAE v Rafael Hoteles)¹¹¹ that "the distribution of a signal by means of television sets by a hotel to customers staying in its rooms, whatever technique is used to transmit the signal, constitutes communication to the public within the meaning of Art.3(1) of that Directive" – the court moreover deemed it irrelevant that communication to the public was occurring in hotel bedrooms.¹¹² Both of these decisions flavour the discourse in the current section in terms of the perspective the CJEU takes.

d) The Current Status Quo

The UK communication to the public right was introduced pursuant to the EUCD, as explained above, in s.20 CDPA 1988, effective since 31 October 2003. The new right replaced the previous broadcasting and cable programme rights. It specifically includes/identifies two representative parts; a part incorporating reformulated versions of the previous rights,¹¹³ and a new "on demand"/making available right which relates to the Internet.¹¹⁴ It is the latter half of the communication to the public right, or aspects thereof, which are of particular interest to this thesis given its applicability in OSP contexts. Previous and current demarcation concerning broadcasting is however also pertinent, as revealed below.

It is at this stage already very important to reiterate that the communication to the public right, despite *including* broadcasting and making available, also includes *any other act* which satisfies the conditions for being a communication to the public by electronic means.

¹¹¹ Case C-306/05 (Judgment of the European Court of Justice, as it then was of 07 December 2006);[2007]ECDR2.

¹¹² [2007]ECDR2,81.

¹¹³ CDPA 1988;s.20(2)(a).

¹¹⁴ CDPA 1988;s.20(2)(b).

The communication to the public right relates to all categories of works, except typographical arrangements of published editions.

S.20 CDPA 1988 implements Art.3 EUCD and thus correspondingly was revised and substituted by SI 2003/2498, the implementing legislation. Art.3 EUCD was largely mirrored in its implementation, with the slight variance of referring to 'by wire or wireless means' instead of 'by electronic transmission' as in s.20 CDPA 1988, also including 'by cable or satellite' in its definition for broadcasts. This does not have an operational effect.

The EUCD Article is arguably 'cleaner' in the respect that it includes the statement that exhaustion will not occur by any act of communication to the public for making available to the public. However, Art.3 includes references to not only the right of communication to the public of works, but also the right of making available to the public of *other subject matter*. It will be recognised that reference to 'making available to the public' in the Title could thus confusingly be said to be a broader category, were it not for its use in Art.3(1) where it is defined as being a subset of communication to the public. Moreover, Art.3(2) refers to only the right of making available in delineating the applicable categories of works.

Having examined the background to the communication to the public right, its 'tripartite' nature may now be analysed; looking at broadcasting, making available and communications to the public not falling into these two categories. Thereafter it will be explained why there is currently uncertainty as to the scope of the right in particular in the European context.

2) The Broadcasting Right

In relation to broadcasting, the current right is delineated, aspects of infringement explained and, lastly, the right is contrasted by reference to important aspects of the previous cable programme right.

a) The Exclusive Right

As mentioned above, within the framework of the communication to the public right, broadcasts are specifically protected subject matter,¹¹⁵ and care must be taken to separate such subject matter¹¹⁶ from the restricted act of broadcasting. The current definition of 'broadcast' is an electronic transmission of visual images, sounds or other information which is transmitted for simultaneous reception by members of the public and is capable of being lawfully received by them, or, is transmitted at a time determined solely by the person making the transmission for presentation to members of the public.¹¹⁷ Excluded from this definition specifically are *any* Internet transmissions *unless* these are simultaneously on the Internet and by other means, concurrent transmission of a live event or transmissions of recorded moving images/sounds being part of a programme service offered by the broadcaster at scheduled times.

In respect of the above, this definition incorporates to a certain extent the previous definition of broadcasting by wireless telegraphy as well as the previous cable program service. The narrowly defined inclusion of specific Internet broadcasts, commonly defined as "streaming", is a logical technological expansion of the classic definition of a broadcast by wireless means, such being close to the original subject matter in format. Moreover, it is exclusively the transmission/signal that is being protected.

b) Infringement

Definition of 'Broadcaster'

Commentators have asserted that the definition of 'broadcaster', or the person potentially infringing the broadcast right, is not as clear as it should be.¹¹⁸ The current definition includes; persons transmitting the programme where such have any responsibility for its contents and, persons providing the programme which

¹¹⁵ CDPA 1988;s.20(1).

¹¹⁶ CDPA 1988;s.1(1)(b); the subject matter being the transmission, not the works that *might* be included.

¹¹⁷ CDPA 1988;s.6.

¹¹⁸ *Copinger*,(n91),[7-125].

had made arrangements with persons transmitting it as necessary for such.¹¹⁹ This is in contrast to the previous definition under the CDPA 1988 as originally enacted, which included persons; making the broadcast, broadcasting a work, including a work in a broadcast, where such had responsibility concerning any of its contents. Moreover, where other persons provided any elements of the programme and made arrangements required for transmission with another transmitting it, such a person was also included under the definition of broadcaster.

References to persons “making” a broadcast or transmission have been dropped, which can be said to relate to the author of such. Currently therefore, it is possible that persons operating transmission equipment and those responsible for processing the programme into transmissions are covered, whereas those purely responsible for creating the programme content are not.¹²⁰ In commenting it must however be remembered that the current definition of a broadcast includes both wireless and cable transmissions, unlike the previous definition, which was aimed at wireless broadcasts by telegraphy.

Place Occurring

In defining the place occurring, broadcasts may be split into wireless and the cable. Wireless broadcasts are currently made from the place where the programme carrying signals are processed into an uninterrupted chain of communication as long as such is under the control and responsibility of the person making the broadcast.¹²¹ This can be stated to be an “emissions” definition, which is a relevant since a broadcaster may incur liability for broadcasts originating in the UK, irrespective of whether the communication is actually receivable in a particular territory.

Broadcasts by cable are not defined in this respect in the CDPA nor in EU legislation. It is therefore possible that the emissions theory and/or reception theory would be operable.

¹¹⁹ CDPA 1988;s.6(3).

¹²⁰ Exception;s.6A(3)(a) on satellite broadcasts.

¹²¹ CDPA 1988;s.6(4).

It remains to be added that rebroadcasting, meaning the relaying and retransmission of a broadcast is a separate act of broadcasting.¹²²

Given that the new definition of broadcasting incorporates the previous cable programme right, as mentioned, it is worth examining the latter.

c) The Previous Cable Programme Right

Previously Internet transmissions were capable of falling within the remit of the definition of cable programmes, and were thus protected under this category. The previous pre 2003 definition in CDPA 1988 s.20(c), somewhat circularly, defined infringement by broadcasting as broadcasting of a work or its inclusion in a cable programme service due to the copyright in either a literary, dramatic, musical or artistic work, a sound recording or film, or a broadcast or cable programme. This meant that the content of the cable programme need not necessarily be protected by copyright for the cable programme right to apply. It is worth in this regard, referencing two cases to analyse the previous cable programme right.

The first is *Shetland Times v Dr Jonathan Wills*¹²³ which, as the name suggests, concerned the newspaper called “The Shetland Times” and a news reporting service trading under the name “The Shetland News”. The newspaper claimant brought suit against the news reporting service defendant claiming not only infringement of its reproduction right in newspaper headings, but also infringement of its cable programme right. It is worth mentioning in this regard, that firstly, the case being decided in 1997, reference was made to the CDPA 1988 prior to the 2003 implementing amendments for the EUCD which, as mentioned above, amended the cable programme right. Secondly, *Shetland Times* was heard in the Court of Session’s Outer House. Lastly, *Shetland Times* concerned only an interim order and was thus not argued fully.

¹²² CDPA 1988;s.5A; see Case C-306/05 *Sociedad General de Autores v Editores de Espana (SGAE) v Rafael Hoteles SA* [2006] ECR I-11519 but compare to *Football Association Premier League Limited v QC Leisure* [2008] EWHC 1411 (Ch); (hotel rebroadcast/pub decoding & display not a rebroadcast).

¹²³ [1997]FSR607.

It was held¹²⁴ that the defendants had infringed s.20 of the CDPA by incorporating on their website headlines taken from the plaintiff's website. The plaintiff's headlines were classified as cable programs made available on the plaintiff's website within the meaning of s.7 CDPA 1988 and the defendants website operated as a cable programme service also with the meaning of s.7, with the inclusion of the requisite headlines constituting infringement under s.20 CDPA 1988.¹²⁵

This approach was followed in *Sony Music Entertainment (UK) Ltd v Easyinternetcafe Ltd*¹²⁶ which concerned CDR burning facilities provided by Internet cafes at which customers downloaded materials onto private directories which then accessed by request and with consent by staff on hand for the purposes of burning the contents onto CDs. The claimants in this respect brought an action for a declaration that the service offered by the defendants in eight Internet cafes was unlawful since the defendants did not have licences to burn the claimants works onto CDs. The defendants argued that, despite admitting that the customers would be liable for infringement for unlicensed downloads of the claimants works, they themselves were not liable because a) the copying was involuntary and b) the act complained of constituted the making of a recording for private and domestic use of a "broadcast or cable program" for viewing or listening at a more convenient time, as permitted under the CDPA 1988 s.70 at that time.¹²⁷ With the remake, s.70 has since contracted with the reformation of the cable programme right.

The above mentioned fact that Internet transmissions were once classified as cable programs and that such could be exempted for private and domestic use in certain circumstances is a very important and noteworthy fact for this thesis. This is because, as the *Easyinternetcafe* decision highlights, service providers and most likely also ISPs/OSPs would greatly benefit from the operation of such an exception since this would prevent 3PCL on their behalf. In this regard the content providing

¹²⁴ Ibid,607,609; Concerning the alleged infringement of the reproduction right concerning the headlines, it was conceded that headlines could be literary works.

¹²⁵ CDPA 1988, s.7, at the time included subsection 2 which contained an exception from the definition of "cable programme service" aimed at exempting services which effectively operated as a communications network.

¹²⁶ [2003]EWHC62.

¹²⁷ CDPA 1988,s.70 (as enacted) "Recording for Time-shifting Purposes".

industry has greatly benefited from the reformation of the cable programme right in this regard.

In asking whether the previous model of classifying Internet transmissions including any private use exception should be a model that ought to be reconsidered, the judge's analysis in *Easyinternetcafe* must be critically examined. In approaching the facts the judge in question decided to first determine whether the use had been private and domestic before considering whether or not the Internet was a cable program the purposes of the then s.70 CDPA 1988.¹²⁸ In stating that it was impossible for the defendant to make out a defence in this case in this regard, the judge highlighted that despite the burden of establishing copies for private for domestic use falling on the defendant, said had not produced any evidence to support such a supposition. Moreover, the actions of the defendants in the copying exercise for commercial gain were deemed to be "fatal to this defence". The judge stated:

The copying is done by the defendant and the defendant is not copying it for the purpose of private and domestic use. It is copying for purposes of selling the complete CDR for five pounds. ... It does not seem to me to be relevant that the person for whom it is copied is going to use it for private and domestic use. If one pursued that to logical conclusions that would mean that any material on the Internet can be downloaded by a commercial organisation and that organisation could sell that download material to a customer, provided the customer asserted that it was for his own private and domestic use. That, to my mind, is not the mischief intended to be covered by the section.¹²⁹

The judge thus emphasised the fact that in his opinion, the section was aimed to cover individuals who themselves make copies for private use.¹³⁰

Having rejected the private use exception to the cable programme right, the judge stated it was unnecessary to rule on whether the Internet is a cable program the purposes of s.70 CDPA 1988. He did however cite with approval the decision in *Shetland Times* and expressly stated in obiter that 'therefore if this question had

¹²⁸ *Sony Music*, 305.

¹²⁹ *Ibid.*

¹³⁰ *Ibid.*

arisen I would have concluded that the transmission of the material via the Internet would be a cable programme service within s.70 CDPA 1988'.¹³¹

An important criticism of the *Easyinternetcafe* decision was penned by Kevin Garnett. Garnett first notes the similarity between the CDR service and a copy shop making photocopies at the request of the customer, where knowledge of what is being copied and for which purpose is irrelevant, given the strict liability nature of the tort in section 17(1) CDPA 1988 "copying of the work is an act restricted by the copyright" in the work. Garnett submits that by branding receivers of faxed information or Internet service providers as involuntary copiers the judge in *Easyinternetcafe* erred. Garnett notes that in both these cases the recipient is *not* a copier in any sense. "*The copier is the person who is the proximate cause of the copy being made, which in its each case is the sender.*"¹³²

Importantly for this thesis, Garnett sheds some light on how s.70 CDPA 1988 came to life. He notes that some of the reasons why the section causes difficulties¹³³ is because it was introduced as an "afterthought" in a late stage in the Parliamentary procedure, thereby arguably not receiving the scrutiny it perhaps should have been entitled to. In terms of the spirit behind the section this is stipulated as being a legitimisation of the widespread domestic practice of the taping of television programmes for timeshifting (off air recording). Interestingly Garnett notes that the CA 1956 exempted the making for private purposes a recording of a broadcast or cable programs, yet this exemption did not extend to the recording of copyright works included in such transmissions. Moreover, Garnett notes that "the government chose, however, not to grapple with the equally widespread and unlawful practice of "home taping".

Thus Garnett agrees with the judge in *Easyinternetcafe* that it was not the intention of Parliament to introduce the wide exception argued for by the defendant, instead the widespread practice of *off air* recording was intended to be legitimised. At the same time the government also aimed to ensure compliance with the Berne three-step test, with a narrow exception. Concerning the issue of

¹³¹ Ibid, 306.

¹³² K. Garnett QC, *The Easyinternetcafe Decision*, 2003, EIPR, 25(9), 426.

¹³³ E.g. whether private and domestic use related to the maker's own use or whether the defence also applies if a copy is made by one person for the private and domestic use of another. The word "convenient" in the exception was also difficult.

the judge's acceptance of the proposition that a neighbour copying for another neighbour would fall within this exception, Garnett advocates that the exception should have applied exclusively to the person for whom the copy is made, since a distinction on monetary terms was not supported by the section in question.

3) The Making Available Right

The specified subset of “making available” is examined in this section by first defining the right, then delineating its scope and lastly, placing the right into context by examining one of the most important recent UK cases.

a) Definition

The second specified restricted act mentioned in the communication to the public right, is making available a work to the public by electronic transmission, in such a way that members of the public may access it from a place and time individually chosen by them.¹³⁴ This has commonly been termed an “on demand right” by commentators. The corresponding sections of the EUCD are Arts.3.2,3.3, which follow Art.8 WCT and Arts.10,14 WPPT. Such an electronic transmission may be by wire or wireless means. The difference between the above discussed broadcasting and the instant making available right is that the former only relates to transmissions at predetermined times for simultaneous reception by the public, whereas the latter may be accessed by a single members of the public that commence, or some commentators would say, access, the transmission at a time and place of their choosing.¹³⁵

b) Scope

¹³⁴ CDPA 1988;s.20(2)(b).

¹³⁵ See the discussion below regarding the uncertainty of scope and policy considerations, particularly at EU level.

Unlike in the preceding section concerning broadcasting, “making available” is not further defined in any relevant legislation. However, it is clear that the joint elements of electronic transmission and access to the public are partly aimed at OSPs. Commentators have argued that persons making available works to OSPs so that these may in turn make them available to the public, have thereby *not* themselves made the relevant work available to the public.¹³⁶ Liability by such providers of material to OSPs is not in doubt since even where these persons would not be liable for “making available”, authorisation or joint tortfeasorship might be established as examined in the next chapter below. It may however be stated that in circumstances where an uploader uses peer-to-peer software and places files in a “shared folder” such will amount to making these available as in *Polydor Ltd v Brown*.¹³⁷ In the context of this thesis it may therefore be noted that an OSP must make files posted on its service available to the public for a communication to the public act to occur. This is examined below in more detail concerning the interpretation of right in the courts.

Infringement of the right of making available does, on one view, not require an actual transmission, only the potential on the part of the *public* to *access* the work in question.¹³⁸ As such, infringements would continue to occur until access is disabled or the infringing work removed. It does not matter that, for example, infringing copies are only available to subscribers, since the definition of “the public” as elsewhere in the Act can be narrower than the ‘general public’ in common parlance.¹³⁹ Moreover, as noted in *Twentieth Century Fox Film Corporation et al v Newzbin Limited*¹⁴⁰ by Kitchen J, the right of communication to the public should be understood in a broad sense, as EUCD recitals 23 and 24 reveal.

c) The Right in Context: Jurisprudential Consideration

¹³⁶ *Copinger*,(n91),[7-132].

¹³⁷ [2005] EWHC 3191 (Ch).

¹³⁸ See *Polydor Ltd v Brown* [2005] EWHC 3191 (Ch)(no actual transmission required); *Rafael Hoteles*(n122) [2007]E.C.D.R.2,43.

¹³⁹ *Copinger*,(n91),[7-116-7,7-95].

¹⁴⁰ *Twentieth Century Fox Film Corporation et al v Newzbin Limited*,[2010]EWHC608(Ch).

Having looked at the construction and several pertinent points concerning the communication/making available to the public right, the claims in *Newzbin* argued under s. 20(2)(b) CDPA 1988 may be turned to. Naturally, before considering to the detailed areas of concern regarding the communication to the public right, the facts and circumstances in *Newzbin* must first be explained. This will be done in some detail for the simple reason that the case contains the single most important recent judgment in Part 2 on the UK, since it touches upon almost all of the main areas in which an OSP may be found liable for infringing copyright. Thus, the details that follow also provide vital information for infringement construction in the 3PCL chapter below, not least because many 3PCL cases hinge on the particular facts in each case.¹⁴¹

The Parties & Claims/Defences

Newzbin concerned an action for infringement of copyright brought by six makers and distributors of films against the operator of a website called “Newzbin” on a worldwide “discussion system” known as Usenet. It was argued that Newzbin indexes unlawful copies of films and displays the titles of said to its users; in doing so it provided a search facility which allowed its users to simplify the unlawful acquisition of copies of films. In its defence Newzbin argued that it operated in parallel to other search engines such as Google but was directed at USENET rather than the world wide web. Newzbin portrayed itself as being “content agnostic” and throughout the proceedings reiterated that the function of Newzbin software was to index the entire content of USENET. Newzbin also argued that wherever possible it provided hyperlinks to material with the result that in some instances the acquisition of unlawful material would not involve Newzbin *per se*.

The claimants in this action relied on three theories of liability. Namely, authorisation, joint tortfeasorship and communication to the public. This fact is interesting and noteworthy in itself and will be analysed at a later stage. Communication to the public will be examined in detail following a introduction.

USENET in Operation

¹⁴¹ Part2,ChapterD,esp(III)(2)and(IV)(2);but also(VII)(1).

USENET is similar, to the World Wide Web in that it allows users¹⁴² of said to upload content on what would be the equivalent of websites referred to in the case as “bulletin boards”. USENET is provided by interconnected servers which store content in a “hierarchy of newsgroups that are named to reflect their content”. The content in these newsgroups falls into two categories, text or binary, with binary the more content rich category which can include films. Uploading films this is often done by use of a mechanism known as RAR encoding. What this means is that a film will typically be split up into about 100 or so RAR files, which in turn will be split into about 50 or more messages each, each of which will be posted to the newsgroup on its own. The end result is that the single copyright work is being split up into at least several hundred different messages on a USENET server. A user who wishes to download a copy of a film must identify each and every one of those messages to be able to completely possess a copy of a particular work; these must then be correctly connected.

Newzbin’s services

Given the complexities of assembling copyright works such as films on USENET there is a market for services like Newzbin’s which facilitate such. Newzbin was a subscription-based service with two tiers, the first tier being premium members in the second-tier Basic members. Whereas premium members were able to download contents of files source using Newzbin, Basic members were only provided with a sample of what was available to premium members.

The service which premium users subscribed to ran for 240 days and only applied to binary content. Kitchen J thus noted in *Newzbin* that the focus of the Newzbin facility is clearly on binary content.¹⁴³

A crucial element in the case was Newzbin’s development of what have been called “NZB” files. These files assembled all the information required to reassemble an original binary work. A single file could then be either saved or opened with a third-party application.¹⁴⁴

¹⁴² *Newzbin*, (n140), [7].

¹⁴³ *Newzbin*, (n140), [18], [22].

¹⁴⁴ *Newzbin*, (n140)[29]: GrabIt as demonstrated in court.

Communication to the Public in Newzbin

Whereas the claimants argued that the defendants had made available their films by electronic transmission so that the members of the public were able to access them from a place and at a time of their choosing, the defendants disputed that they themselves made these films available. The defence hinged on the characterisation of the service provided as a passive service, one that mainly acted as an intermediary providing links to sites from which the claimant's films were accessible for download. In guiding his opinion on the scope of Art. 3 EUCD, Kitchin J considered *Sociedad General de Autores v Editores de Espana (SGAE) v Rafael Hoteles SA*.¹⁴⁵ The case concerned the installation and use of television sets at a hotel. It was alleged that the hotel was involved in communicating to the public works managed by a relevant Spanish body responsible for the management of intellectual property rights in Spain. The Spanish Appeal Court referred several questions to the CJEU one of which asked whether the transmission of a broadcast via television sets to customers in hotel rooms would constitute communication to the public within the meaning of Art.3(1); another question asked whether the installation of television sets in itself in hotel rooms constituted such an act. In its reply the CJEU stated that the communication to the public right must be interpreted broadly and it follows that the transmission of a broadcast to the occupants of hotel rooms was indeed a transmission to a new public.¹⁴⁶

It was summarised by the judge in *Newzbin* that "the Rafael hotel had intervened to provide its customers with access to the protected works; in the absence of that intervention customers would not have been able to enjoy those works; and the hotel had derived benefit from providing the service."¹⁴⁷ Naturally the CJEU held that the installation of television sets itself was not sufficient for a finding of infringement by communication to the public:

While the mere provision of physical facilities, usually involving, besides the hotel, a company specialising in the sale or hire of television sets, does not constitute, as such, a communication within the meaning of Directive 2001/29, the installation of

¹⁴⁵ *Rafael Hoteles*, (n122).

¹⁴⁶ *Ibid*, [40,42].

¹⁴⁷ *Newzbin*, (n140), [122].

such facilities may nevertheless make public access to broadcast works technically possible. Therefore, if, by means of television sets thus installed, the hotel distributes the signal to customers staying in its rooms, then communication to the public takes place, irrespective of the technique used to transmit the signal.¹⁴⁸

Kitchin J held that firstly, the defendant's premium members downloaded the claimant's films and did so at a place and at a time individually chosen by them. Secondly, regarding the question of whether these films were made available by the defendant, the judge considered the facts of the case to be pertinent in such a determination. Kitchin J again rejected the concept that Newzbin provided a service which was passive or just provided a link to a film of interest. The relevant part of the opinion therefore references the sophisticated technical and editorial system provided for the premium members to gather all the constituent parts required for the assembly of infringing works. Interestingly, Kitchin J stated "as a result, I have no doubt that the defendant's premium members consider that Newzbin is making available to them the films in the Newzbin index. Moreover, the defendant has provided its service in full knowledge of the consequences of its actions. In my judgment it follows from the foregoing that the defendant has indeed made the claimants copyright films available to its premium members and has in that way communicated to the public."¹⁴⁹ By way of immediate commentary, it may be noted that a person studying the judgement in detail might have wished for more details as to how the conclusion of infringement via communication to the public was arrived at. This particular part of the judgement leaves it to the reader to infer that the NZB files feature provided the crucial step.

4) The 'Other' Communications to the Public Right

The third aspect of the communication to the public right is the broader category of communication to the public not defined as broadcasting or "making available". Commentators have noted that this category is extremely broad, but that that it may safely be said that it is limited by requiring an *electronic transmission* which is

¹⁴⁸ *Rafael Hoteles*, (n122), [46].

¹⁴⁹ *Newzbin*, (n140) [125].

made *to the public*, for example thereby excluding private communications. This category is discussed below in section 5(a).

5) Uncertainty in the Scope of the Right: Possibly Enlarged OSP Liability

The issue of uncertainty in relation to the communication to the public right is one of crucial importance for OSPs and therefore this thesis, in the sense that OSPs could be liable for the infringement of a general non-simultaneous communication to the public/making available right on the basis of third-party copyright infringement. This section therefore explains and analyses two aspects pertaining to this uncertainty, namely the definition in the UK of ‘other communications to the public’ as outlined above and the ambiguous European definition.

a) Other Communication to the Public as Non-Simultaneous Transmissions

There is currently a debate as to the precise definition or scope of the communication to the public right in respect of the third category mentioned above, namely the broad “umbrella right” of other communications to the public. The question is *inter alia* whether this relates to simultaneous or non-simultaneous communications. In other words, is it akin to the broadcast, or making available right? If the latter instance were to be the case, then the communication to the public right is really ‘only’ a making available right. In the first instance what speaks against this is that there would be no need to specify “making available” separately, as is done in both the CDPA and the EUCD.

Moreover, commentators have observed that were the communication to the public right to be construed as a general making available right, downloads of material could possibly also be said to contravene such a right due to the fact that the element of communication to the public has disappeared, in particular when orienting oneself from Art.3(2) EUCD.¹⁵⁰ This is also relevant to the aspect

¹⁵⁰ G.Westkamp, *Transient Copying and Public Communications: The Creeping Evolution of Use and Access Rights in European Copyright*, 36 Geo. Wash. Int’l L. Rev. 1075, 1077.

examined immediately below, namely the communication to the public right itself as a form of broad “standalone” making available right, without the need for subsequent communication to the public, since a downloader would in effect be initiating the infringement for himself.

Generally, the emphasis would, if accepted, shift from liability for communication to mere liability for access, which would include, as mentioned, downloads. This would have the effect that the former protects the communication and the latter the content in its entirety. From a doctrinal perspective, a general “umbrella right” bearing the hallmarks of an “access right” has been criticised due to the fact that such a right would include all the information contained in a communication without reference to content, in effect abolishing any distinctions between form and content in a particular sphere that is or should be concerned with distinct subject matter protection and the distinct restricted acts pertaining to such.¹⁵¹ Moreover, in effect, what in law drafting terms is clearly a sub-category of a ‘broader’ right, as mentioned above, would illogically spill over, dissolving distinctions between different rights in the legislation.

b) European Communication to the Public ‘reduced’ to Making Available

Approached from another perspective, it may be added that at the European level it is not clear whether the right of making available merely requires such, or whether it also requires subsequent communication. This arises principally from the structure of Art.3 EUCD and in particular the possibly separate “standalone” nature of Art.3(2), which does not reference communication.

Commentators have observed that it might be preferable to view “making available” as a “preliminary stage *before* communication will actually take place”.¹⁵² The result of such would be that the scope of the making available right would be narrowed and the aspect of the right protecting access and automatically the information contained in a work, would be lessened. As noted above, it has

¹⁵¹ *Ibid*,1076 but see M. Ficsor, ‘*The Law of Copyright and the Internet: The 1996 WIPO Treaties, their Interpretation and Implementation*’ (OUP 2002), Part II,145,[4.3-4.56;C8.04,PP14.1] favouring a ‘digital agenda’ umbrella solution.

¹⁵² *Ibid*,(nX),1076.

been observed that a stand-alone making available right makes those liable for copyright infringement that provide works to OSPs, despite the fact that at this stage such as not been to the “public”. Hence it may again be argued that subsequent communication to the public should be considered.

c) The Wider European Perspective

Following the entry into force of the EUCD on 22nd of June 2001, Art.12 EUCD instructed the Commission to submit a review report to the European Parliament by November 2004. Said report was naturally the first report of its kind and was split into two parts. Part one provided an assessment of the impact of the Directive whereas Part Two analysed the actual implementation across the European Union.¹⁵³ An examination is instructive regarding the uncertainty at EU level, but also concerning the UK; given that, irrespective of its need for implementation, the Directive is the decisive piece of legislation. It may also be noted that the CJEU decided references based on the Directive and not the national implementing legislation. This has notable effects. For example, within the current context, in connection with the definition of “public” in *SGAE v Rafael Hoteles SL*. Here the court stipulated that concerning the communication to the public right, whether the place this occurred was private or public was irrelevant, and that the right specifically could be violated/carried out in private places.¹⁵⁴ Whereas the concept of “public” in the UK law, as mentioned, is wide, the definition in this particular context has previously remained unresolved at UK level. It likely that in related specific contexts this definition will further be definitively determined.¹⁵⁵

The question which the report raises in relation to the two possible views of the general communication to the public right is whether the communication to the public right also extends to subsequent acts of making available. The report identifies and explains that the problem thus:

¹⁵³ *Implementation Study EUCD*,(n106);(n107).

¹⁵⁴ *Rafael Hoteles*,(n122),[50-51]. See also C-136/09 *Organismos Sillogikis Diakhrisis Dimiourgon Theatrikon kai Optikokoustikon Ergon v Divani Acropolis Hotel and Tourism AE*.

¹⁵⁵ *Note pending C-135/10 SCF-Consortio Fonografici v Marco del Corso*, C-162/10 *Phonographic Performance (Ireland) Ltd v Ireland*, C-283/10 *Circul Globus Bucuresti (Circ & Variete Globus Bucuresti) v Uninuena Compozitorlor si Muzicologilor din Romania*.

In general, it is debated whether the right is granted only up to the stage of making a work or other subject matter passively available to the public, or whether the right owner may also exert control over a subsequent act of transmitting the work to the recipient. The debate emerges from the fact that Art. 3, following Arts. 8 WCT and 10 WPPT, may be interpreted to *only* cover the act of making available *or* in the sense of granting a general communication to the public right under which the “making available” constitutes only one element.¹⁵⁶

One of the alleged sceptics of a general communication to the public right, namely Austria, implemented the right in such a way as to cover only the making available right; without reference to communication to the public. Other Member States have implemented Art.3 EUCD more verbatim, thus referencing both communication to the public and making available; not sidestepping the issue of a general non-simultaneous communication to the public category. As such it can be noted that in Austria, for example, uploading a work onto a Internet peer-to-peer file sharing platform, being the act of first “making available” is prohibited. Whereas secondary acts of communication to the public such as the transmission by downloading the work in question from the very same Internet peer-to-peer file sharing platform are excepted from liability under this cause of action.¹⁵⁷

The scope of Art.3 EUCD related legislation in other Member States having adopted a more literal version of Art. 3 or of the WIPO treaties, might nonetheless still be uncertain, and depends on whether the text in question incorporates into the general transmission right a subsequent transmission whether implicitly or expressly. This would mean that a download would be classed as a transmission covered as an act of communication to the public by virtue of falling under the part encompassing non-simultaneously transmissions.

The courts in Member States have shown themselves to be divided. Most notably German courts¹⁵⁸ have held that making available a protected newspaper and journal articles can fall under the communication to the public right, whereas

¹⁵⁶ Implementation Study EUCD, Part II,(n107).

¹⁵⁷ See in particular Part II,Report on Austria IIIA.II“Technically,\$18a [Copyright Act(UrhG), StF: BGBl. Nr. 111/1936 i.d.F. der UrhG-Novelle 2003)] provides for both a communication to the public and a making available right. However, the provision does expressly exclude a separate communication to the public right. The right is thereby restricted to acts of making available.”

¹⁵⁸ Implementation Study EUCD,Part II,(n107) 6, citing OLG Hamburg 24.02.2005, 5 U 62/04.

French courts expressly excluded downloading from the scope of the communication to the public right as it concerns doing so from a peer-to-peer file sharing system.¹⁵⁹ It would appear that in France, the French presentation right does not include subsequent acts of transmission.

6) The Relationship between Broadcasting and Making Available

It is interesting to delve into the differences and commonalities of the broadcasting and making available rights. This may be done by reference to a recent German Federal Supreme Court decision, referred to as “Internet video recorder”.¹⁶⁰ The defendant, in said case operated an online video recorder on the internet. The “recorder” allowed users to select various free TV programs from around 20 broadcasting stations in Germany. Each broadcast is first copied onto the defendant’s server. Paying users, who want to sign up for the service, can then select individual broadcasts and watch these at different times. This is done by allocating each user a specific space on the defendant’s server in which the broadcast is stored. In other words, each user has its own web space on that server. The claimant is a TV station that sought relief due to alleged violations of its reproduction, making available and broadcasting rights.¹⁶¹

The first issue that presents itself is what the protected subject matter may be; in broadcast signals, or the actual work included in such a broadcast, e.g. film, may give rise to the restriction of act in this regard. The second issue is one of infringement. On the facts of the case, it was clear that the copying which had occurred on the OSP’s servers might infringe the rights holder’s reproduction right. Additionally, the restricted acts of making available and broadcasting, were alleged to have been infringed.

Making Available

¹⁵⁹ Implementation Study EUCD, Part II, (n107) 6, citing High Court Le Havre, 8 December 2005 (*SACEM, SDRM v anon*).

¹⁶⁰ I ZR 216/06.

¹⁶¹ Ibid, [10].

Concerning the making available right, several things were observed by the court. Firstly, concerning the fact that the OSP defendant offered the online video recording service via their website, it was held that there was an insufficient nexus between the OSP in the alleged acts of making available, due to the fact that it was the users that commissioned the service. The court stated in this regard that offering to record future content is insufficient. Secondly, it was considered whether the OSP had committed the restricted act of making available due to downloads and/or streams that had occurred. In principle, such would naturally be covered by the definition of making available. However, the German Federal Supreme Court held that such has *not* been “to the public”. The facts were such that each user has been allocated an individual copy, hence the earlier question of reproduction, of the broadcasts in question.¹⁶²

Broadcasting

Concerning the broadcasting right, which requires simultaneous transmission, the court held that this is being infringed due to the fact that the broadcasts had been individually commissioned by the users. It interestingly equated the time-shifted on demand service with simultaneous retransmission. It is not surprising that commentators have questioned this line of argument. Such prefer the view that the non-simultaneous nature of the download is decisive. This is underlined by the fact that in economic terms the attractiveness lies in the time-shifted on-demand availability of user selected and commissioned reproductions.¹⁶³

Reproduction

In respect of the above what remains is also the question of the à la carte reproduction. The question that presents itself is whether the OSP may avail itself of a limitation in this regard. Under German law private copying exceptions exist, and the OSP could avail itself of such were the service not-for-profit.

¹⁶² In the event that the OSP would have placed the broadcast content on their website for simultaneous download or streaming, infringement via the non-simultaneous making available right would not been an issue. It was the time shifted, on demand, nature of the service that raised the spectre of infringement in this regard.

¹⁶³ See Dreier/Schulze, Urheberrechtsgesetz: UrhG, Urheberrechtswahrnehmungsgesetz, Kunsturhebergesetz, Kommentar, 2. Auflage 2004. C.H. Beck, para. 87[13].

It remains to be added that a putative general communication to the public right was not discussed due to the fact that there was no communication to the “public”.

7) Conclusion

In concluding this Chapter on the communication to the public right, it is important from an OSP related perspective to note that the broadcasting right does cover certain Internet transmissions, where these are in effect a concurrent extension of wireless broadcasts. Yet, the current and revised definition of “broadcaster” can be said to be narrower than the previous definition in the CDPA 1988 as originally enacted.

The cable programme right, and the exception as mentioned above, could have been useful for OSPs. The removal of such has changed the balance in favour of copyright owners and content producers. It follows that some might argue that the provisions on cable programme protection which were replaced with the distinction of copyright protection against communication to the public, including the making available right on the one hand, and the broadcasting right on the other, function quite differently by altering course and possibly providing the sweeping protection referred to above for interactive non-simultaneous transmissions. It will be remembered that the defining feature of a broadcast is the lack of an interactive element and the subject being protected is the actual transmission itself which may be visual images, sounds or information. This however still includes Internet communications where these are transmitted simultaneously. It follows that communicating a work by way of streaming is classified as a broadcast and does not touch upon the making available right in the UK.

The arguably most important conclusion to this Chapter is that the uncertainty in the scope of the communication to the public right. As detailed above, this potentially yields an exponential growth in third-party OSP liability where other communications to the public, or making available itself, are defined without certain references to both inherent or subsequent “communication/transmission”

and wider “public”. The view of the right of making available non-simultaneously/on-demand being satisfied by mere provision of access increases the scenarios of primary liability not only on the part of directly the OSP but especially the users, which in turn raises the spectre of 3PCL on the part of the OSP in connection with such. As indicated above, there are also certain non-commercial policy considerations involved in this discussion. Defining the area of uncertainty in terms of a pure access right detracts from the central tenet of copyright law, namely the protection of form and not content. Such an access right can be said to be born out of copyright-competition law wedlock, like its TPM cousins, into the realm of ‘para-copyright’, which brings with it conflicts beyond the primary remit of this thesis, for example the problematic intersection also with freedom of information.¹⁶⁴

III. The Reproduction Right

The reproduction right is defined in s.17(1) CDPA 1988 as the exclusive right of “copying”. To infringe this right there are two issues to be considered, the first being a sufficient degree of objective similarity¹⁶⁵ between the copyright work and the alleged infringement and the second a causal relationship that this results from the fact that the copyrighted work has indeed been copied.¹⁶⁶ The reproduction right relates not only to the entire but also to a substantial part of a work, to copies of the direct or indirect and to some transient or incidental copies.¹⁶⁷

1) Demarcation of Infringing Reproductions

¹⁶⁴ See generally; H. Wiese, The Justification of the Copyright System in the Digital Age, EIPR2002,24(8),387-396 and specifically;G.Westkamp(n150),1086.

¹⁶⁵ See *Purefoy EngineeringCo Ltd v Sykes Boxall & Co. Ltd*,(1955)72RPC89,99, on the requirement that the infringing product must in some real sense represent the copyrighted work.

¹⁶⁶ See *Designers Guild Ltd v Russel Williams (Textiles) Ltd*,[2001]1WLR 2416.

¹⁶⁷ CDPA 1988,s.17(6),s.28A.

There are two types of copying. The first is "literal copying" where all or an identifiable part of a copyright work is taken. One example of such would be the taking of a part of a picture, several sentences from a poem or book or a bar or two of the piece of music.¹⁶⁸ Here, "the question whether [the defendant] had copied a substantial part depends much more on the quality than on the quantity of what he has taken".¹⁶⁹ It can thus be said that regarding literal copying, a qualitative criterion can apply in such situations.

The second type of copying often described as "altered copying" relates to inexact copying. An example could be a translation of any literary work, play or film. It will be necessary to determine which elements of a copyrighted work have been taken and then to ask whether their use amounts to a substantial part, as with the first category above. Commentators have noted that the temptation to take a restricted, element-by-element, view of similarity of the work and alleged infringement in such cases should not be yielded to, since this would result in a falsification of the premise upon which a final determination of substantial taking and therefore unauthorised reproduction would be founded.¹⁷⁰ In *Designers Guild* Scott LJ supported this 'cumulative' approach, in particular where, absent direct evidence, inferences are to be drawn concerning copying and substantiality.¹⁷¹

In the online arena, third parties mainly become liable for facilitating the literal (wholesale) unauthorised reproduction of music and film works by primary agents. This is logical, since the motivation and value, for the primary actor of infringing such rests in obtaining and using a perfect copy of an MP3 or recent cinema film. This is not to say that there are not some transformative uses such as sampling that might occur as a subset, which is why the above distinction has been drawn.

2) Transient and Incidental Reproduction

¹⁶⁸ *Designers Guild*, (n166)[61], Scott LJ citing Laddie, Prescott & Vitoria, *The Modern Law of Copyright and Designs* (2nd ed. (1995))88–89,[2–102].

¹⁶⁹ *Ladbroke*, (n68), 276.

¹⁷⁰ Hinted at in *Copinger*, (n91)[7-23(b)]; *Designers Guild*, (n166), [75].

¹⁷¹ *Ibid*, [65].

One of the most relevant aspects of the reproduction right for the purposes of this thesis is transient and incidental copying, as this is quite likely to occur by electronic means. As already highlighted, s.17(6) CDPA 1988 states that copying in relation to any work includes the making of copies which are transient or are incidental to some other use of the work. Furthermore, s.17(2) CDPA 1988 expressly states that reproducing the work in any material form includes storing the work in any medium by electronic means.

The above clearly brings copies in computer Random Access Memory (RAM) into the remit of the exclusive right of the copyright holder. However, whether such copies infringe copyright or not depends on their nature and the process involved. A pertinent example of such a process would be the streaming of a broadcast over the Internet or similar medium, by an OSP. When a broadcast is streamed small data slices of the broadcast are buffered¹⁷² in computer RAM to provide a continuous, uninterrupted flow of data to the recipient. Can this be said to infringe a copyright owner's right(s)? And who does the infringing? These questions are central to digital copyright. This thesis focuses on liability for OSPs which includes questions such as these. In this regard, it may be noted that liability for OSPs is in many cases concurrent with and indeed dependent on that of users or primary infringers, whether factually, procedurally or legally. Given that OSPs have been styled "Gatekeepers" by some in the content producing industry, liability for some of the normal business activities of OSPs, which include transmission of files in certain instances is indeed a spectre to be taken note of.¹⁷³

It has been suggested in *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd*,¹⁷⁴ an Australian case dealing with the streaming of a film, that due to the size of the data slices in the buffer at any one time, it cannot be said that the

¹⁷² Online Merriam-Webster dictionary defines buffer as "a temporary storage unit (as in a computer); *especially*: one that accepts information at one rate and delivers it at another". (10 June 2010 at <http://www.merriam-webster.com/dictionary/buffered>) What this definition leaves out is that, typically, whilst these data slices are inserted into the buffer at a faster rate than they leave they are nonetheless deleted within a very short space of time sometimes milliseconds.

¹⁷³ IFPI Digital Music Report 2008, "*Internet Service Providers (ISPs) are the "gatekeepers" of the internet and have a vital role to play in curbing copyright abuse...*", p21, http://www.ifpi.org/content/section_resources/dmr2008.html (accessed 18 October 2010).

¹⁷⁴ (2002)53IPR242(FedCourt Australia); see also *Roadshow Films Pty Ltd v iiNet Limited* (No. 4) [2010] FCA 645 (25 June 2010).

work being transmitted is copied either as a whole or that substantial parts of the work are being copied.

An important case in this area is *Football Association Premier League Limited v QC Leisure* (F.A.P.L. v QC Leisure), which was decided in the High Court, with references on the interpretation of EU law decided on by the CJEU (Grand Chamber).¹⁷⁵ In the current instance it is particularly relevant to the question of incidental or transient copying and the infringement of the reproduction right.

The claimants in this action brought three conjoined actions against various defendants of the alleged infringement of their copyright in various artistic and musical works, films and sound recordings. The first claimant, the F.A.P.L., was responsible for the filming of 'Premier League' matches by the BBC and Sky. Following the filming of each match the work was modified and a "world feed" signal was created in which the F.A.P.L. owned various copyrights and subsequently licensed these. The copyright owner and others subsequently initiated three actions against foreign broadcasters and broadcast recipient publicans. The foreign broadcasters in the first two actions supplied non-UK satellite decoder cards to receive the broadcasts in question in the UK, thus allegedly enabling buffer copies to be made in the decoders.¹⁷⁶

In answering the important question whether copies of a substantial part of the copyright works were made in the decoder boxes, Kitchin J described the action taking place in the decoder in detail, separating video from audio data, and explaining that the decoder assembles data for about 160 milliseconds before rewriting.¹⁷⁷ The judge in determining whether a restricted act had occurred thus also posed the question whether these data fragments ought to be considered *individually* in terms of amounting to a substantial part of a copyright work or whether they should be considered collectively.¹⁷⁸ It was held that the fragments amounting to 160 ms worth of data, or four frames, do not constitute a substantial

¹⁷⁵ [2008]EWHC1411(Ch);[2008]3CMLR 12 and Joined Cases C-403/08 and C-429/08 (CJEU Judgment of 04 October 2011); [2012] F.S.R. 1. See also *Kabushiki Kaisha Sony Computer Entertainment Inc (t/a Sony Computer Entertainment Inc) v Ball & Ors* [2004] EWHC 1738 (Ch) (19 July 2004); *Bookmakers' Afternoon Greyhound Services Ltd v Wilf Gilbert (Staffordshire) Ltd* [1994]F.S.R.723.

¹⁷⁶ [2008]EWHC1411(Ch),very detailed:[H3].

¹⁷⁷ Ibid,[217].

¹⁷⁸ Ibid,[220].

part of film work. Naturally Kitchen J referred this point to the Court of Justice for a final determination, which confirmed his view.¹⁷⁹ It was also noted by Kitchen J that the video slices do not hold any inherent value, other than part of the whole work.¹⁸⁰ They should also not be characterised as photographs, as defined in s.4(2)¹⁸¹ and prohibited by s.17(4) CDPA 1988, because they form part of the film.¹⁸² Furthermore, it was held that "it is a restricted act to make a transient copy of a substantial part of the work. In other words, the substantial part must be embodied in the transient copy, not a series of different transient copies which are stored one after the other in the decoder box".¹⁸³

It is noteworthy that Kitchen J relied and referred to *Australian Video Retailers Association Ltd v Warner Home Video Ltd*, for this part of the judgement.¹⁸⁴

Before going on to look at whether s.28A CDPA 1988 afforded a defence, Kitchen J summarised his findings regarding transient copies by concluding that across the board, whether it be in the decoder or on the television screen, as claimed by the claimants, *substantial* parts of the films, musical works and sound recordings were *not* copied within the meaning of the reproduction right as specified in the CDPA 1988. Importantly, however, the judge differentiated the position regarding artistic works i.e. the graphics, devices and logos added to the film in the production process discussed above. Regarding these, Kitchen J held: "I accept that these are reproduced in full within one frame of the broadcast signal in the decoder and as seen on the television."¹⁸⁵

Noting the above, and equating the streaming in *Australian Video Retailers Association* with the decoder buffering in *F.A.P.L. v QC Leisure* as regards the buffer copies made, it is worth noting that it is argued by commentators that the streaming of films should be differentiated from the streaming of music, so far as the substantial taking is concerned, in that only a few notes can amount to the

¹⁷⁹ [2012]F.S.R.1, 103.

¹⁸⁰ [2008]EWHC1411(Ch),[224].

¹⁸¹ "... recording of light or other radiation on any medium on which an image is produced or from which an image may by any means be produced, and which is not part of a film."

¹⁸² *Note R. v Higgs*, [2008]EWCACrim1324; [2008]F.S.R.34,936.

¹⁸³ *FAPL*, (n122), [227].

¹⁸⁴ *Ibid*, [228]:citing said,242.

¹⁸⁵ *Ibid*, [235].

main melody, or essence of the work in question.¹⁸⁶ For example, Larusson has thus argued that in cases where the main melody of a musical work has been offered and therefore temporarily copied in one sequence, an infringement could have taken place under s.17(1) CDPA 1988.¹⁸⁷ Two things should be noted in this regard. The first is that in *F.A.P.L. v QC Leisure*, Kitchin J indicated, as noted above, that concerning the buffer copies in question, the musical works were not reproduced. Secondly, it is entirely doubtful whether the main melody of any musical work can be reproduced in one sequence, in one buffer copy, given the diminutive, almost always millisecond, nature of the transient copy.

3) Little and Often

Yet before moving on, it is worth noting that some commentators have argued that the school of thought which disapproves of the exoneration of transient copying should reap the intellectual fruits of the theory of liability for copying of "little and often".¹⁸⁸ Under this theory the requirements for substantial taking, is satisfied by the repeated and often systematic copying from the same work. It is however submitted that the utilisation of this theory to achieve the goal of bringing transient copies within the realm of copyright infringement by reproduction, is a complete distortion of both the original theory and the commercial reality of the technological process taking place; the theory of "little and often" originally arose mainly from the publication in newspapers or similar instruments of small amounts of proprietary information such as in *Trade Auxiliary Co v Middlesbrough, etc Association*, where the claimants published approximately 400 commercial transactions on a weekly basis that were conducted in the UK and where the defendant was held to infringe due to having repeatedly copied details of approximately 4 such transactions as they related to a smaller geographic area.¹⁸⁹ It is thus not surprising that Kitchin J ruled in *F.A.P.L. v QC Leisure*, that concerning transient copies, for liability to arise a transient copy as such must

¹⁸⁶ H Larusson, *Uncertainty and the Scope of Copyright: the Case of Illegal File-sharing in the UK*, 124 EIPR 2009, 127.

¹⁸⁷ *Ibid*, 127.

¹⁸⁸ *Copinger*, (n91), [7-19]; [7-29(2)].

¹⁸⁹ (1889) 40 ChD 425 as cited in *Copinger*, (n91), [7-29].

represent a substantial part of the work in question, and not the sum of, or a train, of transient copies as a whole.¹⁹⁰

4) Substantial Taking

S.16(3) CDPA 1988 states that copyright in a work will be infringed if "*the work as a whole or any substantial part of it*" is copied. The doctrine of substantial taking, injects an equitable element into the law of copyright. Namely, that even where a defendant does not copy a work in its entirety, or does not copy the work precisely, he will in some instances nonetheless be held accountable for unfairly appropriating the benefit of the effort, skill and labour which went into a work's creation as held in *Designers Guild Ltd v Russell Williams (Textiles) Ltd*.¹⁹¹ In *Designers Guild* Scott LJ stated the twofold requirement of *objective similarity* and the causal, original, 'source' relationship, between the copyright and infringing works or parts thereof in question.¹⁹²

It has been suggested by Bently, who rails against shortcuts to a consideration of the taking, that courts should follow a rigorous approach in this regard.¹⁹³ He proposes that the work in itself must first be defined by reference to three pertinent matters. The first is an assessment of the parameters of the work in question. Depending on the type of work, this could be relevant in terms of divisibility. Given that this thesis focuses on in part, musical works defining the parameters as noted in *Hyperion Records v Warner Music*, is indeed relevant.¹⁹⁴ It was noted in said case that the copyright work is not a package of smaller copyright works, but that certain parts if copied may suffice for a finding of infringement. In this respect the interdependence of the parts could also be relevant as noted in *Newspaper Licensing Agency v Marks and Spencer Plc*.¹⁹⁵ The second issue to be considered in this regard is the scope of protection afforded. The third category of delineation is that of the parts protected. To be protected as

¹⁹⁰ *FAPL*, (n122), [227], and note CJEU [2012] F.S.R.1, 103.

¹⁹¹ [2001] F.S.R.11.

¹⁹² *Ibid*, [65]; *Francis Day and Hunter Ltd v. Bron*, [1963] Ch.587, 623.

¹⁹³ L. Bently & B. Sherman, *Intellectual Property*, (OUP2009), 186.

¹⁹⁴ *Ibid*, 187 fn93 citing Laddie J: *Hyperion Records v Warner Music*, (1991, unreported).

¹⁹⁵ *Ibid*, 186, fn88 citing *Newspaper Licensing Agency v Marks and Spencer Plc*, [2003] 1AC551.

part of a work; parts must be relevant to the work; ensure the work is original (despite a global appreciation approach being advocated); and not be the ideas behind a work. Only once a work has been defined in these terms should a court be willing to consider establishing liability for the taking of a substantial part, as considered against the copyright work itself.

IV. Conclusion

The above section has delineated primary copyright infringement by distinguishing it from secondary copyright infringement in the UK. Secondary copyright infringement in the UK sense is further delineated below. The section thus examined the various restricted acts pertaining to protected works whilst focusing in particular on the communication to the public/making available as well as the reproduction right. These were focused on given their particular relevance to the infringement of film and music in OSP related contexts.

The above discourse has explained the possibility of liability by OSPs, even where the actions of users of the services in question could be viewed as initiating a particular restricted act. In relation to the communication to the public right, which has its own conclusion above, this could be viewed as problematically merging strict liability with 3PCL.¹⁹⁶

Concerning the important aspect of transient reproduction the definition espoused in *F.A.P.L. v QC Leisure* in effect will squarely favour the content using/OSP industry, in that it very pointedly defines ‘substantial part’ concerning films, but arguably also musical works, narrowly, by requiring it to be embodied in any single transient copy and not a series of different transient copies, as will often be the case.

C. Relevant Defences against Copyright Claims

¹⁹⁶ Part2,ChapterB(II)(7).

Having in Chapter B, above, examined primary infringement of rights pertaining to the relevant categories of works examined in Chapter A, the logical structure of this thesis, and in particular this Part, is continued by a consideration of the defences available to OSPs, as relevant at this juncture. In litigation terms this is the natural order of things. Even during any pre-action protocols for Part 8 proceedings in England & Wales,¹⁹⁷ defences will and can only be considered once the requisite claims concerning restricted acts and infringement have been determined. The defences in this section, broadly speaking, split into Permitted Acts under the CDPA 1988, some of which are modified by European implementing legislation, and certain specific copyright exceptions in European implementing legislation. These permitted acts, which are not technically defences, but limitations that operate as such, like the exceptions specified immediately below are generally designed to counter-balance the monopolistic nature of copyright in favour of what is deemed to be in the public interest.

I. Acts Permitted in Relation to Copyright Works

Concerning “permitted acts”, it is firstly important to remember the requirement of substantial taking,¹⁹⁸ may negate their applicability. Certain of the permitted acts which relate to primary infringement are indirectly relevant to OSPs owing to the theories of 3PCL,¹⁹⁹ such as authorisation²⁰⁰ and procurement inducing joint and/or several liability.²⁰¹ When a primary act of infringement is negated by a provision within the sections/regulations outlined below, cannot pose a risk to an OSP. Other provisions, such as s.28A,²⁰² relate to primary infringement by the OSP itself.

CDPA 1988 ss28-76 set out the acts permitted in relation to copyright works, the most well-known of which are; making temporary copies; research and private

¹⁹⁷ Civil Procedure Rules, England & Wales, Claims initiated under Part 8. Claims relating to Intellectual Property matters must be brought under this part.

¹⁹⁸ Part2,ChapterB(III)(4).

¹⁹⁹ Broadly;Part2,ChapterD.

²⁰⁰ Part2,ChapterD(III)(1).

²⁰¹ Part2,ChapterD(IV)(1).

²⁰² Part2,ChapterC(2).

study; criticism, review and news reporting; incidental inclusion of copyright material and making a single accessible copy for personal use. Due to the fact that 48 exceptions are too many to cover in this thesis, and will in any event not all be relevant, those that do have some relevance will be identified and briefly examined. It is thus worth introducing s.28 CDPA 1988, which acts as a preamble, applicable to the following sections: The section makes clear that the acts permitted, as listed, may be done notwithstanding the subsistence of copyright and that they relate *only* to the question of infringement, as well as the fact that the following sections in the Act shall be construed independently of each other.

1) Fair Dealing under the CDPA 1988

The concept referred to as “fair dealing” in the UK is a relatively, in international terms, limited concept. It only relates to the sections/acts cited above; in broad terms, the three important limitations of non-commercial research or private study; fair dealing for the purposes of criticism or review and fair dealing for the purpose of news reporting. One of the most strikingly different jurisdictions in this respect is the US, where the concept of “fair use” is much broader, since it only provides guidelines and not exclusive categories.²⁰³ In 1977, the Whitford Committee’s recommendation that the UK’s fair dealing provisions be adapted along similar lines was rejected by the Government.²⁰⁴

The fair dealing provisions as first introduced by the CA 1911 were not afforded an easy birth due to the fact that the phrase “fair dealing” had previously been used in relation to a judicial determination of substantial taking. This is evident from cases such as *Wilkins v Aiken*,²⁰⁵ as De Zwart notes, the current concept of fair dealing was unknown, Eldon LC referring to “fair quotation” and “legitimate use in the exercise of a mental operation”, and unsurprisingly noting that “fair” is relative.²⁰⁶

²⁰³ 17USCs.107.

²⁰⁴ Report of the Committee to Consider the Law on Copyrighted Designs, Cmnd.6732 [672-677].

²⁰⁵ *Wilkins v Aiken*, (1810) 17 Vesey 422.

²⁰⁶ M. De Zwart, *A historical analysis of the birth of fair dealing and fair use: lessons for the digital age*, I.P.Q. 2007, 1, 60-91, 79; *Wilkins v Aiken*, (1810) 17 Ves. Jun. 422; 34 E.R. 163 at 164-165.

It must however be noted that a consideration of copying a work for private study did not arise prior to the 1911 Act.²⁰⁷ The above terminological strain led to a certain confusing interoperability by the two then intertwined issues.²⁰⁸

The above fair dealing categories have been highlighted to convey a sense of the general provisions in the UK with a view to later comparison. It thus only remains to be noted that several of the provisions contained in the EUCD had a bearing on the CDPA. In particular, several articles caused the insertion of a requirement that the exceptions be for a “non-commercial purpose”: Art. 5(3) concerning research; Art. 5(2)(b) concerning private study and Art 5(3)(d) regarding criticism or review, required prior lawful making available to the public.

2) The Applicability of s.28A CDPA 1988

A determination of infringement of the reproduction right will, in many cases, refer to s.28A CDPA 1988, implementing Art.5(1) EUCD concerning the making of temporary copies. It states that copyright in various categories, other than computer programs or databases, but including sound recordings and films, is not infringed by the making of temporary copies which are transient or incidental and which form an integral and essential part of the technological process the sole purpose of which is to enable either; a) transmissions by an intermediary in network between third parties; or b) lawful use of a work which has no independent economic significance.

In *F.A.P.L. v QC Leisure*, Kitchen J noted that the purpose of s.28A CDPA 1988 has been elaborated in Recital 33 to the EUCD as being to facilitate browsing, caching, transmissions by OSPs, provided such do not modify the information.²⁰⁹ It is therefore clear that both the Directive and s.28A CDPA 1988 attempt to carve out a "safe harbour" for intermediaries such as OSPs. This is important given the medium in which OSPs operate and the business models most employ.

²⁰⁷ *Copinger*,(n91)[9-19].

²⁰⁸ See also R. Burrell, “*Reigning in Copyright Law. Is Fair Use the Answer?*”[2001]I.P.Q.361.

²⁰⁹ *FAPL*,(n122),[237] citing Recital 33 EUCD. Note also the CJEU's decision: [2012] FSR 1, 97 [168].

a) The Four Elements of the Defence

The High Court judgment in *F.A.P.L. v QC Leisure* very neatly summarises the four elements required for this defence to be operative and was confirmed (unsurprisingly, almost verbatim) by the CJEU²¹⁰:

- i) the temporary copy must be transient or incidental;
- ii) it must be an integral and essential part of a technological process;
- iii) the sole purpose of which is to enable (a) a transmission of the work in a network between third parties by an intermediary; or (b) a lawful use of the work; and
- iv) it must have no independent economic significance.²¹¹

In *F.A.P.L. v QC Leisure*, the High Court judge determined that the first two elements were satisfied, as discussed in the facts above,²¹² and that there was no dispute as to these. This was confirmed by the CJEU.²¹³ Regarding the third element, it was noted that since lawfulness had been argued by the defendants, this hinged on the interpretation of the CA Directive, from which the claimants had argued that liability automatically flows. The CJEU determined that from the outset the acts in question were not intended to enable transmission in a network between third parties by an intermediary – thus it asked whether their sole purpose was to enable a lawful use to be made. It held this was so, for the purposes of Art.5(1)(b) since reception of broadcast ("picking up of the broadcasts and their visual display in private circles") is lawful according to EU and UK legislation.²¹⁴

The most problematic of the four points above, was the requirement of the absence of independent economic significance. Regarding the interpretation of 'independent economic significance' the court referred to both the EUCD and an

²¹⁰ [2012] FSR 1, 96.

²¹¹ Ibid,[238].

²¹² Part2,ChapterB(III)(2).

²¹³ [2012] FSR 1, 97 (slightly different numbering due to lack of compression of the first three points).

²¹⁴ [2012] FSR 1, 97 [171-172].

Opinion of the Economic & Social Committee. Art.5(5) EUCD provides that exceptions and limitations ought to be applied "in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder". According to the Opinion of the Economic & Social Committee (September 9, 1998), as cited in *F.A.P.L. v QC Leisure*, the exception ensures incidental storage, e.g. intermediately on servers, the question being whether there was 'independent economic significance' to the use of the work in question, not going to its transmission. This meant however that: "Any reproduction that in effect is consumption of the work, such as the temporary copying of programmes or data into memory in order to use or access such works, for example the act of accessing on-line databases, should only be permitted with the rightholder's authorisation".²¹⁵

The concept of independent economic significance is treacherous. It is at the heart of this exception and transient copying. It hinges on a policy guided view of what should or should not be acceptable. On one view, transient copies such as those made in this instance in the decoder could be seen as part of a process and therefore as having economic value, since otherwise the process could not take place. The other more limited view would be that the process should be broken down into its constituent parts. Only the independent economic significance of the transient copies themselves should be examined, irrespective of what their purpose is and what they result in. The former interpretation naturally yields economic significance whereas the latter does not. Perhaps the framers of the Directive intended the latter result, due to the inclusion of the word "independent". This would seem to suggest that the copies' economic significance is to be assessed independently of the process as a whole. It is perhaps because of this dichotomy and the fact that it is currently based on European Union law that *Kitchin J* required guidance by the Court of Justice, which ruled that the acts of reproduction carried out in the course of a technological process make access to the protected works possible. It noted that "since the latter have economic value, access to them necessarily has economic significance".²¹⁶ As to whether this was independent, termed a value beyond the mere reception of the broadcasts, the

²¹⁵ *FAPL*, (n122), [241].

²¹⁶ [2012] FSR 1, [174].

court held this was not so.²¹⁷ This means that the acts referred to fulfilled all of the conditions laid down in Art.5(1) EUCD and Art.5(5) EUCD and may thus be carried out without the authorisation of the copyright holders concerned.

b) The Impact of European Jurisprudence

In the context of considering the reproduction right which may be infringed by OSPs, it is worth examining recent European jurisprudence, in particular *Infopaq International A/S v Danske Dagblades Forening I&II*.²¹⁸ *Infopaq* has been referred to here as I & II since the same parties are again litigating in front of Danish courts.²¹⁹

Previously Cuttings Agencies bought newspapers or their equivalent, read and analysed said and cut out news items which certain clients desired. These were then sent either daily/weekly in a bundle to said. Nowadays this process is completed by electronic means, through several different of techniques. In the UK it is necessary to obtain a license from the Newspaper Licensing Agency.

There is a similar system in operation in Denmark. In *Infopaq* the relevant professional association of Danish daily newspaper publishers brought an action against the defendants, once it had become aware that *Infopaq* was scanning newspaper articles for commercial purposes without authorisation. The professional association argued that consent was necessary for the processing of articles using a five-step electronic data capture procedure. *Infopaq*, being a reasonably well-informed and circumspect undertaking, argued to the contrary that its data capture process which consists primarily of drawing up summaries of selected articles from Danish daily newspapers and other periodicals on the basis of subject criteria agreed with customers, fell within Art.5 EUCD.

Without going into too much detail concerning the technical process involved, which is adequately summarised above for purposes of this thesis, the end result may however be instructive:

²¹⁷ [2012] FSR 1, [175-178].

²¹⁸ *Infopaq*(n75).

²¹⁹ Art.234 TEU reference June,18 2010.

4 November 2005 – Dagbladet Arbejderen, page 3:

TDC: 73% “a forthcoming sale of the telecommunications group TDC which is expected to be bought”.²²⁰

In the first case, the Court of Justice received 13 detailed questions, but returned only two answers. The questions were built up logically around the issue of the definition of an act of reproduction, the relevance of the context in which this occurs, the factors possibly affecting the transience of reproduction, the scope of the “lawful use” of Art.5(1) EUCD, and the criteria for “independent economic significance”.

The European court, however, surmised, after answering the first question, that questions 2 to 12 were in fact single question; namely that whether the reproduction that occurred during the referenced data capture process satisfied the conditions in Art.5(1) EUCD, and thus whether the process was able to be carried out without the consent of the relevant rights holders. It provided one answer to these questions and furthermore noted that in light of its answer it was unnecessary to answer the last, 13th question. The reason why these questions are mentioned in this way here is that it would appear that the referring national appellate court was displeased with this way of proceeding.

The answers the Court of Justice sent to the national court were incisive. The first answer, relating to the possible act of reproduction as a result of the technical processing question, stated that extracting 11 words, storing and *printing* such comes within the concept of reproduction in part within the meaning of Art.2 EUCD directive, if the elements produced are the *expression of the intellectual creation of their author*. However, a determination of such was up to the national court. The second answer, which may be regarded as being less pertinent, summarised that *printing* an extract of 11 words during the data capture process as in the proceedings could not be termed transient as required by Art.5(1) EUCD, and therefore required consent.

Several things may be noted with regard to answer one. First of all, the answer very specifically refers to 11 words. It is not clear why this is the case, nor whether 10 might suffice. Some commentators are likely to note in this regard that this is

²²⁰ Ibid,[21].

just an unfortunate sample figure, especially bearing in mind that it is up to the national court to make a final determination on infringement. Most interesting and noteworthy, is the reference by the Cour de Justice to the concept of “*the expression of the intellectual creation of the author*”. The reference to this concept can be somewhat solidly termed to be the progeny of a civil law (continental European) copyright law system influenced mind. This is significant due to the fact that the ruling is binding on all Member States, and therefore also the UK.²²¹

However, originality as defined above could also be said to be drawn from the general scheme in Berne; e.g. Arts 2(5) and (8) which state that the protection afforded to artistic or literary works presupposes that they are *intellectual creations*.

This standard has already been applied concerning the question of reproduction of a substantial part of the work in, for example, *SAS Institute Inc v World Programming Ltd*.²²² Most importantly, however for this thesis is it has been confirmed that the scope of protection given by the EUCD is to be interpreted broadly, such as to include, for example 11 words. The European Court held that it is also possible that isolated sentences or certain parts of sentences might convey to the reader the originality of the newspaper article and thus the expression of the author’s own intellectual creation.²²³

Commentators have stressed that reproduction of, “a part” as in the EUCD, or “in part” as in the 2009 *Infopaq* judgment, are clearly to be equated with the expression “substantial part” in the CDPA 1988. Both expressions refer to any “creative” part. Whereas courts determining questions of substantial taking must now refer to the civil law influenced test, commentators have also noted that the jurisprudence which developed the substantial part test is still applicable and that UK law has not changed in this respect.²²⁴

²²¹ See W Grossheide, The CJEU Infopaq Decision, Session 10: Copyright Law, Fordham IP Conference 2010, (10 January 2011) <http://fordhamipconference.com/wp-content/uploads/2010/08/Grosheide2.pdf>.

²²² [2010]EWHC1829(Ch),[244] applying *Infopaq*,(n75),[31-48].

²²³ See *The Newspaper Licensing Agency Ltd & Ors v Meltwater Holding BV & Ors* [2010] EWHC3099(Ch)(26November2010).

²²⁴ *Copinger*,(n91),[7-27].

On 18 June 2010 in *Infopaq II* the Danish appellate court re-referred the remaining unanswered questions to the Court of Justice for the most part in unaltered form. At the time of writing the reference remains unanswered.

Overall, putting these two cases into context, the impact of the answer to the first question referred is perhaps less than might be anticipated. Whereas certain commentators will argue that as a result of the holding that 11 words are capable of infringing the reproduction right, as set out in Art.2 EUCD, represents an extremely broad interpretation of such a right, in line with the Court's stated approach,²²⁵ the operative part of the answer in question is the fact that it is for the national court is to make such a determination.

Moreover, as noted above, the “*expression of the intellectual creation of the author*” standard is, some might argue, in the UK a mere reformulation of the prevalent originality and substantial part test.²²⁶ Thus it also remains doubtful whether the Court of Justice's statement that Art. 5 is to be interpreted narrowly will affect UK jurisprudence to any significant degree, given the already finely tuned, and thus perhaps pro-rights holder approach in this country.²²⁷

The Court's statement that “the possibility may not be ruled out that certain isolated sentences, or even certain parts of sentences in the text in question may be suitable for conveying to the reader the originality of the publication such as a newspaper article, by communicating to that reader an element which is, in itself, an expression of intellectual creation of the author of that article” is arguably to be approached with equal caution and might be met with a raised judicial eyebrow this side of the channel, even if unjustifiably so, given for example early indications of a similar ‘back to the bare minimum/essentials’ approach concerning headlines in *Shetland Times Ltd. v Dr Jonathan Wills*.²²⁸ The Court's statement is perhaps best viewed as an extension of its remarkable scrutiny of the issues at hand that has led to the infamous 11 word themed answer. It moreover adds little to the settled jurisprudence in the UK that originality already may reside in choice, sequence and combination of words, as in *Walter v Lane*.

²²⁵ *Infopaq*,(n75),[43 and 47].

²²⁶ See Proudman J's use of both standards in *Meltwater*,(n223).

²²⁷ *Infopaq*,(n75)[56-58]; jurisprudence concerning originality and “substantial part” is well defined, see for example *Walter*,(n64).

²²⁸ *Shetland Times*,(n123).

II. E-Commerce Directive Regulations 2002

The EC Regulations²²⁹ transpose the E-Commerce Directive into UK law. The EC Regulations provide a triumvirate of defences against liability for OSPs. It is noteworthy that these defences apply not only to liability for copyright infringement, but also other liabilities. The overarching justification for such broad defences is one of enabling information networks, referred to as “information society services”,²³⁰ within the internal market, without fear of redress, where the services provided fall into one of the three categories, namely, “mere conduit”, “caching” and “hosting”.

The Recitals to the E-Commerce Directive make clear that despite the potential breadth of the defences there is an emphasis on limitation to technical processes and operation or accessing of communication networks for the sole purpose of making transmissions more efficient and which could be described as being merely technical, automatic and passive in nature. Arguably most importantly for this thesis, it is stated that this implies that the OSP neither has knowledge of nor control over the information which is transmitted or stored.²³¹ This is perhaps contentious however concerning the hosting defence since said can potentially also apply when the OSP has knowledge of the information being provided, except that he does not know that it is unlawful.

A uniting feature of all three defences is that they can concern both the communication to the public/making available right as well as the reproduction of works, whether transient or permanent, in a form of computer memory. As such, there is interplay with s.28A CDPA 1998.²³²

²²⁹ Transposing Articles 3, 5, 6, 7(1), 10 to 14, 18(2) and 20 E-Commerce Directive. Note The Electronic Commerce (E-Commerce Directive) (Extension) Regulations 2004: removing a defect in the drafting of regulation 3(2).

²³⁰ E-Commerce Directive, Recital 17.

²³¹ E-Commerce Directive, Recital 42.

²³² Part 2, Chapter C(I)(2).

It is also worth highlighting that all three of the defences relate *exclusively* to pecuniary remedies and criminal sanctions. As such, the defences do not speak to injunctive relief. Whereas this is arguably logical, since an injunction is a lesser disincentive than the aforementioned remedies, it must nonetheless be observed that the prospect of injunctions is nonetheless likely to have both an operational and possibly downstream impact on the OSPs. OSPs will thus naturally need to provide measures for complying with injunctions as well as securing adequate representation to analyse both the scope and extent of such.

On the other hand, content providers or those seeking such injunctions have a strong argument that given an OSP's likely business model this is a legitimate expectation and business cost. It may nonetheless be stipulated that injunctions serve in parallel capacities to those of 3PCL theories.²³³ Given this fact, it is logical that the remedies section in the 3PCL part below briefly analyses OSP exposure to such.²³⁴

1) The Mere Conduit Defence

The interplay between Reg.17 (Art.12 E-Commerce Directive) and s.28A CDPA 1988, has been flagged as inappropriate by some.²³⁵

Refreshing one's recollection, Reg.17 states that OSPs that transmit information provided by a recipient of the service, or provide access to a communications network, are principally exempt from liability if they did not initiate the transmission,²³⁶ select the receiver of the transmission,²³⁷ or select or modify the information contained in the transmission.²³⁸ Expressly included in these acts of transmission are automatic (in the ordinary operation of the technology), intermediate (in the course of a transmission) and transient (limited time) storage of information; provided this is done only for the purpose of carrying out the

²³³ Part2,ChapterD.

²³⁴ Part2,ChapterD(V).

²³⁵ Larusson,(n186),131.

²³⁶ Recital 43; The OSP may be the transmitter of the information but not start off the process.

²³⁷ Recital 43; Whereas a OSP may direct the information to the recipient this must be automated and the recipient not selected.

²³⁸ The exception to this and would be manipulations of a technical nature taking place in the course of a transmission being necessary.

transmission in the communication network and where such information is not stored longer than is reasonably necessary for the transmission itself. The definition of this defence in the UK Regulations mirrors that of the Directive.

In terms of intrinsic guidance for interpretation for judges and lawyers alike, the Recitals to the Directive clearly specify that OSPs are only to benefit from the defences, in particular “mere conduit” and “caching” where OSPs are not involved either with the information being transmitted or modified. The exception to this would be technical manipulations to aid the transmission itself.²³⁹ Interestingly, in terms of 3PCL, the Directive states expressly that OSPs that deliberately “collaborate” with the recipients of their services, with the effect of their actions being illegal in nature, will not be able to benefit from the “mere conduit” or “caching” defences.²⁴⁰

As mentioned above, the defence also relates to other torts/crimes and not just copyright infringement.²⁴¹ From a copyright perspective, the contextual similarities between s.28A and Reg.17 have led some commentators to identify an overlap, which certainly exists.²⁴² Other more aggressive commentators such as Larusson have attacked this position, suggesting that such is only arrived at by looking at both from afar, possibly without spectacles.²⁴³

Deconstructing Larusson

Given the requisite descriptions above there is an area of overlap between both defences, since there can be situations when both could conceivably apply. Larusson is wrong to state otherwise. This is however not to say that both provisions have the same aims or indeed scope. Furthermore, contrary to the reading of some commentators, it may be argued that where EC Regulations conflict with amendments made to the CDPA 1988 made as a result of the EUCD; the former do not automatically prevail due to the E-Commerce Directive

²³⁹ Recital 43.

²⁴⁰ Recital 44.

²⁴¹ For example in libel actions: *Metropolitan International Schools Limited -v- Designtechica, Google Inc and Google UK Ltd*, [2009] EWHC1765 (QB).

²⁴² *Copinger*, (n91), [9-17].

²⁴³ Larusson, (n186), 131.

(Extension) Regulations 2004 merely because these were brought into force in relation to the Sexual Offences Act 2003.²⁴⁴

Whereas it may accurately be noted that *one* of the main differences between both defences is the s.28A requirement of “independent economic significance”, it an interpretation of such could yield significant similarities with the spirit of Reg.17 in particular as it relates to the length of storage in Reg.17(2)(b) when taking into account Kitchen J’s thoughts in *F.A.P.L. v QC Leisure* concerning data slices.

There are three other differences between the two defences. Reg.17 delineates the actual attributes of *any* transmission by an OSP in more detail, especially regarding the selection of the transmission and the length of its storage; whereas at the same time it also applies *not* only to literary works but also, importantly for this thesis, to sound recordings and films and also *not* only to alleged infringements of the reproduction right, but again importantly for this thesis, to the making available/communication to the public right. As such Reg.17 applies to a much broader range of liability situations for OSPs, which is not to say that it would ultimately yield the desired result.

What this means in practice for OSPs

In terms of the practical impact on OSPs it is worth reiterating that the defence of mere conduit applies to all actions taken by the service provider, that is to say the defence is not limited to transient reproduction, but will also cover;

- a) the storage of infringing copies (if necessary for and the intermediate transmittal purposes of the service);²⁴⁵ as well as
- b) acts of communicating works/making available works to the public.

It is of course logical that the defence does not apply to acts by an OSP falling into the category of joint tortfeasorship, as hinted at in the above reference to recital 44 and “collaboration”.

²⁴⁴ H Larusson,(n186),131. Moreover, Larusson’s statement regarding the words in Reg.17 “if he otherwise would” is arguably also incorrect, since it may by some be read independently, especially bearing in mind that this is a transposition.

²⁴⁵ Storage otherwise may fall within the “hosting” defence covered by Reg. 19 EC Regulations.

Interestingly, especially with a view to a later comparison to the US position however, any imputed or knowledge of actual fact that an OSP's services are being used as a conduit for infringing material, is immaterial to the operation of the defence insofar as such falls short of the above-mentioned standard of "collaboration"/joint tortfeasorship.²⁴⁶ The impact of this is that the defence operates in the realm of primary liability for copyright infringement.

There is not, at the time of writing, in England and Wales, much case law available dealing with the mere conduit defence. Fortunately for this thesis however, those cases which have featured a consideration of such, despite predominantly dealing with torts of libel or defamation, are in a digital context and may be used to extrapolate principles of the legislation in action.

In *Bunt v Tilley*,²⁴⁷ a claimant had at first instance sought remedies for defamation against six defendants, the first three being individuals and the second three their respective ISPs.²⁴⁸ This case was noteworthy because the defamation that had occurred on USENET notice boards, for the most part was not hosted by the latter three defendants, they only provided access.²⁴⁹ The judge in the High Court had to consider the operation of the mere conduit and caching defences, and accepted the definition in *Gatley* that caching is a 'sort of halfway house between the transmission and "hosting"'.²⁵⁰ The learned judge agreed with the proposition that ISPs that only provided Internet access to individuals that used such access to post defamatory comments on the USENET message board in question, were able to rely on the mere conduit defence. Incidentally, the judge highlighted the difference between the classification of mere conduit and "hosting" by agreeing with *Gatley* that e-mail provided by an ISP that passes through said ISPs system would fall within the definition of mere conduit, whereas ISPs that operate web based e-mail services such as Gmail and who thus store said messages on a more permanent basis until they are deleted by relevant users, fall within the category of "hosting".²⁵¹ The judge struck out the claims against the ISP applicants in accordance with CPR Part 3 and that there was 'indeed no realistic prospect of

²⁴⁶ Part 2, Chapter D(IV).

²⁴⁷ [2006] EWHC 407; [2007] 1 W.L.R. 1243.

²⁴⁸ AOL UK Ltd, Tiscali UK Ltd, British Telecommunications Plc (which had carried out some limited posting of USENET newsgroups on its servers).

²⁴⁹ *Bunt*, (n247), [8].

²⁵⁰ *Ibid*, [51]; Eady J, citing *Gatley on Libel and Slander*, (10th edn) [6.29].

²⁵¹ *Ibid*, [49]; Eady J, citing *Gatley on Libel and Slander*, (10th edn) [6.28], [17.08].

success on any of the causes of action’ and held the criteria under CPR Part 24 as fulfilled.²⁵²

Metropolitan International Schools Ltd v Designtechnica Corporation.²⁵³ concerned claims regarding allegations brought by, Metropolitan International Schools, a large European provider of adult distance learning courses against three defendants, the first, Designtechnica, provides “news, professional reviews, and opportunities for public discussion”²⁵⁴ on bulletin boards online, the second and third defendants were Google UK Ltd and Google Inc respectively.

Concerning the mere conduit defence, it will be important to note that Google’s liability for publication of allegedly defamatory “snippets” in its searches was examined. Despite the fact that the judge considered that Google would not be liable for publication and thus the E-Commerce defences would be of no relevance, Eady J noted in obiter that ‘it is unclear whether this protection would extend to a cached index, such as that of the Third Defendant, which is created automatically (by the so called “knowledge bots”) and in relation to the operation of the search engine.’ The judge also noted that in Austria recent amending statutory provisions have extended the protection in Art.12 of the E-Commerce Directive to search engines and that this was referred to in a Department for Trade and Industry consultation document in 2005. As such, it is respectfully submitted that some practitioner commentators were not entirely correct in their submission that Eady J *doubted* that the defence of mere conduit would extend to a cached index created automatically in relation to the operation of the search engine.²⁵⁵

The E-Commerce Directive and thus the EC Regulations contain two other defences that OSPs may avail themselves of, already alluded to above, namely those relating to “caching” and “hosting”, these will be examined below.

2) The Caching Defence

²⁵²Ibid,[77]; CPR Part 3, Case Management Powers, Rule 3.4(2),(strike out-no reasonable grounds)http://www.justice.gov.uk/civil/procrules_fin/contents/parts/part03.htm#IDAML0EC (30 January 2011), note Part 24 refers to Application for Summary Judgment.

²⁵³*Designtechnica*,(n241).

²⁵⁴Ibid,[3,4].

²⁵⁵*Copinger*,(n91),[21-107].

The first of the two further legs of the E-Commerce Directive /EC Regulations tripod that are of great import for UK OSPs relates to acts by OSPs that can be classified as “caching” as covered by Art.13 E-Commerce Directive; Reg. 18 EC Regulations.

The purpose of the defence of “caching” was admirably defined by Eady J in *Bunt v Tilly* and is as stated above to protect and facilitate OSPs’ operations.²⁵⁶

Reg.18, states that OSPs that transmit information provided by a recipient of the service are principally exempt from liability for automatic, intermediate and a temporary storage of information for the sole purpose of dealing with a transmission to other recipients upon their request more efficiently.²⁵⁷ There are however certain additional qualifications²⁵⁸ which the OSP must comply with, the most relevant of which, for the purposes of this thesis, are the requirements that the OSPs did not modify the information and that said acted expeditiously to remove or disable access to stored information upon obtaining actual knowledge for example where a court or other authority has ordered such removal or disablement.²⁵⁹

The caching definition is tailored to its “half-way house” purpose and as such does not include the language in the mere conduit defence concerning the initiation of transmissions or selecting the receivers. The inclusion of such would have merged the definition of ‘mere conduit’ with that of ‘caching’.

Reg. 18 closely mirrors Art.14 E-Commerce Directive. As such it will be relevant that Recital 43 reiterates that the defence is available where OSPs are “in no way is involved” with the information transmitted. It is stated, as noted above, that the requirement of non-modification of the information does not include manipulations of a technical nature taking place during the transmission as these do not alter the “integrity” of the actual information comprising the transmission.

Commentators have observed that the most problematic aspect of the caching defence is the requirement concerning knowledge, or the lack thereof, by the OSP, in conjunction with the duty to act expeditiously to remove or disable access to

²⁵⁶ *Bunt*,(n247),[52].

²⁵⁷ Reg.18(a).

²⁵⁸ Reg.18(b).

²⁵⁹ Reg.18(b)(i) and (iv). On how caching works see *Bunt*,(n247)[52].

stored information. Some commentators have gone so far as to suspect that the UK Government was suffering from confusion between the different types of knowledge required for the caching and hosting defences and to what extent each requires “actual” or “deemed” knowledge, since knowledge of whatever kind of unlawful activity is in fact irrelevant to the purpose of the caching defence.²⁶⁰

The UK Government inserted in Reg. 22, defining ‘notice for the purposes of actual knowledge’. As will be seen in later comparisons to the US, the definition of actual knowledge can be quite pivotal.²⁶¹ The problem that some commentators have identified is that the instant regulation applies to both the caching defence (18(b)(v)) and the hosting defence (19(a)(i)) whilst specifying that in its consideration of whether a OSPs has actual knowledge, the court should take all relevant matters into account, in particular notices received by the OSP through its published details as mandated²⁶² which include details of the a) sender; b) location and c) unlawful nature of the activity or information in question. There would seem to be in a contradiction between what actual knowledge is required for the caching defence and this section, since it seems to imply a broader frame of reference i.e. not just of the issues referred to in the above quote. It is in this regard submitted that Reg.22 was simply subject to a drafting error, since by adopting a purposive approach the interpretation of these two conflicting sections it is plainly obvious that they are aimed at different activities. The opposite view could be taken that Reg.22 could be read as being subject to the three subject-matter categories of actual knowledge in Reg. 18, thereby allowing users or content providers to notify and OSP of a court or administrative order. If this contradiction is not amended, the content providing industry will no doubt wish to argue that Reg.22 provides a legitimate extension, and, expansive derogation from the caching defence.

What this means in practice for OSPs

Leaving the unsatisfactory situation concerning the extent of the actual knowledge requirement aside, the operability of the caching defence is perhaps the least problematic of the tripod of defences in the EC Regulations. Concerning the mere

²⁶⁰ Copinger,(n91),[21-114-115].

²⁶¹ Part3,ChapterC(VI)(5).

²⁶² Reg.6(1)(c).

conduit defence, there are few cases dealing with this subject matter. The consideration of one of the defendants in *Bunt v Tilley* hosting a USENET message board on its servers, on which posts remained for weeks at a time, including the ability to remove access to posts lead to a determination that this could *not* be described as caching, since this tended more toward the hosting end of the spectrum. Similarly, the judge in *Designtecnica* stated that the automatic and informational “snippets” produced by Google in response to searches by users of the search engine concerning relevant web sites, were likely to fall outside the defence, since the provision of such involved a process of selection and editing. It is thus submitted that the courts apply a stringent test to the factor of modification in the caching defence.

3) The Hosting Defence

The “hosting” defence in Art.14 E-Commerce Directive is transposed in Reg. 19 EC Regulations.

Purpose

In *Designtecnica*, Eady J cites with approval Collins’ work, *The Law of Defamation and the Internet* (2nd Ed., 2005), concerning the purpose behind the hosting defence: ‘[It] is intended to apply to Internet intermediaries who store Internet content, such as webpages and bulletin board postings, on their computer systems’.²⁶³ There is an analogy of renting out space, which is no doubt where the term “hosting” came from.

Definition

The defence disclaims pecuniary and criminal liability if the OSP is compliant concerning the storage of information, which is provided by a recipient of the service. In particular two further requirements for the operation of this defence must be noted. Firstly, the OSP question must not have, either; a) *actual knowledge* of unlawful activity/information, nor, b) where a claim for *damages* is

²⁶³ *Designtecnica*, (n241), [94].

made, *awareness* of facts or circumstances from which it would have been apparent that the activity/ information in question was unlawful. Secondly, in circumstances where the OSP had obtained actual knowledge or awareness, it must have acted expeditiously to remove or disable access to the information.²⁶⁴ Thirdly, for the defence to apply it is a requirement that the OSP did not *authorise* or *control* the actions of the recipient of the service.²⁶⁵

Aspects concerning the definition and operation

The above definition of the hosting defence raises several issues. First of all the meaning of “*unlawful information*” despite being pivotal throughout is one which is not readily defined; it is in the E-Commerce Directive referred to as “*illegal information*”.²⁶⁶ This encompasses intellectual property rights, but due to the nature of the EC Regulations having a wider ambit, also covers other types of information. Secondly, the second limb of Reg. 19 could be said to be somewhat loosely drafted in the sense that it refers to “such knowledge”, which most likely means “actual” knowledge, but this is not stated explicitly and must in turn be implied from the vertical latitude of the subsection. Moreover, Reg. 19(a)(ii) EC Regulations is also somewhat oddly drafted concerning the tense used by the verb “to act” in that it refers to “upon obtaining such knowledge or awareness, *acts* expeditiously to remove or disable access to the information”. It might be observed by some commentators that using the present tense in this context limits the duty of OSPs, since it inherently lessens the scope of the duty to act immediately. On the other hand it could be stated that the current wording implies an ongoing duty, for example also throughout the conduct of litigation. Also concerning this section, “expeditiously” is not defined.

Lastly as has been noted above, the Regulations contain guidance concerning the definition of actual knowledge.²⁶⁷ It however remains to elaborate on the meaning of the interplay between actual knowledge and awareness. Actual knowledge in litigation terms is a more stringent standard than awareness from facts or circumstances. Furthermore, awareness of certain facts or circumstances is tied to

²⁶⁴ E-Commerce Directive Regulations, Reg. 19(a)(ii) refers to “*such knowledge*”, this has been read as meaning “*actual knowledge*” given the use of this term in the preceding section(i).

²⁶⁵ E-Commerce Directive Regulations, Reg. 19.

²⁶⁶ E-Commerce Directive, Art. 14(1)(a).

²⁶⁷ EC Regulations, Reg. 22.

the requirement of apparentness of the unlawful nature of the acts or information, but can only relate to damages, which on one view might include other civil pecuniary remedies, but will purposefully exclude criminal liability/sanctions. Therefore actual knowledge must be proven by a claimant before the defence can be removed and criminal liability established.

Whereas most responses during the consultation process on the implementation of the E-Commerce Directive made apparent that there was demand for clarification of the definition of what would constitute actual knowledge or awareness, some commentators such as Rushbrooke, were cited as explicitly stating that they saw no difficulty in leaving the courts free to give the words “actual knowledge” their normal meaning during litigation.²⁶⁸ Some commentators have noted that this approach of “let the courts clarify the issues” was adopted by the government and the government remained of the view that providing a positive definition that would risk creating loopholes that could be exploited to avoid liability inappropriately or by being too prescriptive about what could and what would not constitute actual knowledge would be undesirable.²⁶⁹

Concerning the hosting defence, it must be added that Art.14(3) E-Commerce Directive expressly states that the hosting defence does not affect possible current or future procedures governing the removal or of disabling of access to information. What is referred to here is a form of takedown regime, as will be delved into in the US Part.²⁷⁰ This is a legalism to prevent an argument that given the defence there must also be an unequivocal right to host information.

What this means in practice for OSPs

One is reminded of the judge’s statement in *Bunt v Tilley*, as cited above, that ISPs providing web-based e-mail services will most likely be held to have hosted such messages. In the particular circumstances of the case, concerning USENET message boards hosted on one of the ISP defendants’ servers, posts were stored for several weeks to allow users to access said. The ISP in question had the ability to edit posts

²⁶⁸ DTI Consultation on Implementation of E-Commerce Directive, Summary of Responses, http://webarchive.nationalarchives.gov.uk/tna/+/http://www.dti.gov.uk/industries/content/dti_consultation_on_implementation_of_directive_on_electronic_commerce_200031ec_summary_of_responses.html/#liability1(01 February 2011).

²⁶⁹ *Copinger*, (n91)[21-114].

²⁷⁰ Part3,ChapterC(VI)(7).

on its servers. It was stated that such would fall within the category of “hosting”. However, due to the fact that the claimant had failed to comply with the notice provisions in Reg.22 EC Regulations,²⁷¹ the claimant was not able to prove actual knowledge within the meaning of Reg.19(1)(A)(i) and thus the hosting defence was stated to be applicable on the facts.²⁷² This shows the operability of the definition of actual knowledge in action, and that it is an important limitation that accrues to the benefit of OSPs and to the detriment of content providers or other similarly situated claimants.

In *Designtecnica*, Eady J when faced with a consideration of whether the hosting defence applied to search engines services, the facts being noted above, stated that he considered it likely that for Google to be able to make use of the defence concerning “snippets” additional legislation would have to be passed. This can be termed a purposive approach to statutory interpretation as required by most EC legislation.

The judge reached this decision following a serious consideration of the wider European and policy perspective in order to avoid coming to an interpretation of English law that might be viewed as inconsistent, despite his statements to the contrary.²⁷³ The judge first of all noted that the European Commission encouraged Member States to extend protection to search engines, noting the borderless nature of commerce online.²⁷⁴ Eady J then followed the developments in other Member States.

No Monitoring in Electronic Commerce (mere conduit; caching; hosting) by OSPs

Following on from the above, and importantly for OSPs, the judge in *Designtecnica* referred to several cases decided in European jurisdictions:

Palomo v Google Inc. by the Court of First Instance in Madrid in its judgement of 13 May 2009, rejecting liability by the defendant for offering search results providing hyperlinks to sites carrying the defamatory content based only perceived shift of

²⁷¹ Referring to EC Regulations Reg.6(1)(c).

²⁷² *Bunt*,(n247),[72].

²⁷³ *Designtecnica*,(n241),[97].

²⁷⁴ *First Report* on the application of Directive 2000/31/EC on electronic commerce, COM(2003)702,final(21November2003).

European legislation towards the exemption of “Internet intermediaries” from the obligation to supervise content, in the absence of actual knowledge.

SARL Publiston System v SARL Google France, by the Paris Court of Appeal on 19 March 2009, where the claimant claimed “snippets” and hyperlinks provided by Google to the main site, as in the instant case, were defamatory. The court decided that Google did not have a duty to assess the lawfulness of the indexed website. Moreover the court held that where Google used indexing robots and did not create or host of the disputed information, the company was not under any automatic obligation to monitor. The court also was of the opinion that due to the rather large volume of information that the search operator and dealt with it was unable, even if desired, to analyse the content.

In respect of the above, it is very relevant that OSP liability in connection with actual knowledge or awareness of the facts and circumstances is limited by E-Commerce Directive Art.15 which prohibits the imposition of a general obligation on OSPs providing either mere conduit, caching all hosting services to monitor the information that is transmitted or stored, nor to actively seek facts or circumstances concerning illegal activity. Art.15 however in its second limb permits Member States to establish notification regimes for the benefit of public authorities where the OSP becomes aware of illegal activities/information or where OSPs are requested to provide upon request the identities of the recipients of the service provided by OSPs.

III. Conclusion

Given that permitted acts in relation to copyright material are at least in philosophical terms more important, if less noteworthy than the specifically crafted E-Commerce Directive exceptions, these will be concluded first.

Permitted Acts

The main relevance of the fair dealing provisions in the CDPA 1988 to this thesis, lies in the fact that where a potential direct copyright infringer/user’s conduct is accordingly entirely exempt from liability, it logically follows that any online

intermediary will also be exempt under common law theories of 3PCL. Having stated this, it must nonetheless be observed that OSPs may of course avail themselves of the fair dealing provisions where they are themselves direct infringers. The fair dealing categories are, from an international perspective not wide, also concerning the arguably most relevant category, namely, 'criticism and review' of a prior lawful making available to the public requirement.²⁷⁵

Concerning s.28A CDPA 1988, the interpretation of said section is particularly problematic. This is the case for two reasons. Firstly, the concept of 'independent economic significance' can be stated to be open to interpretation shaped by particular policy or industry interests such as the content providing industry. This is clear from Kitchen J's statements in *F.A.P.L v QC Leisure* above. Secondly, as *Infopaq I* has shown, the definition of in part/substantial part is tied in with the test of '*the expression of the intellectual creation of the author*', and possibly shrunk, negated, or supplemented somewhat considering the reference to 11 words in said judgement.²⁷⁶ Concerning the aspect of the technological process in question, and the transient copying, it was unsurprisingly held that printing during or at the end of the technological process would render Art.5(1) EUCD inapplicable.

Concerning the direct effect of these points on the topic of this thesis, these problems may be readily transferred into the realm of OSPs and music/film. The problems concerning the concept of independent economic significance and the issues raised by *Infopaq I* mean that it can cautiously be stated that were these matters to be tested in a contentious setting it is likely that the content providing industry would find these particular outcomes less troublesome to any assessment of future claims for infringement or as indeed mitigating the operability of s.28A CDPA 1988 itself.

E-Commerce Defences

The very fact that the E-Commerce Directive defences came into being emphasises the importance of the OSP/ISP industry to the public interest. What is remarkable

²⁷⁵ CDPA 1988 s.30(1A) implementing EUCD, Art.5(3)(d).

²⁷⁶ See *Meltwater*, (n223).

in this regard is that at the time the defences were drafted, the internet and/or online services were in their infancy.²⁷⁷

The purpose of this conclusion is not to repeat specific details, but rather to provide a brief general *ex post facto* analysis. Firstly it will be remembered that the function of all three defences is to provide defences concerning civil claims for damages (and probably similar remedies) and criminal sanctions. All three defences disclaim operability in relation to courts requiring OSPs to terminate or prevent infringement²⁷⁸ or parties to applying to the courts for injunctions. In this connection, Art.18(1) E-Commerce Directive reiterates that Member States must ensure the availability of measures specifically including interim measures designed to end any alleged infringements and prevent further impairment of interests. E-Commerce Directive defences are not similar in nature to those listed in Chapter 3 CDA 1998, above. Certain acts by OSPs would remain primary infringements, albeit ones to which there is an exception and thus a defence.

OSP must monitor their activities to remain in compliance with in particular the standard of actual knowledge or awareness, as noted above. Even where an OSP is within the scope of the EC Regulations, notice may be subsequently served and unless it is then acted upon, the effect of such on the OSP will be to lose the right to defend itself under the requisite defence, in respect of continuing or future infringements. Concerning the kind of notice, given the above mentioned discrepancies, this will differ between the caching and hosting defences. It will be remembered that the applicability of the defence of mere conduit does not hinge upon knowledge or awareness of any kind, as such, an OSP that knows or suspects that a customer is transmitting infringing information or works, will still be able to avail itself of the defence. As with all three defences, they will be dis-applied given the instance of any “deliberate collaboration”, which for hosting takes the form of authorisation or control.

D. Third-Party Liability for Copyright Infringement

²⁷⁷ See Part1,ChapterA(I).

²⁷⁸ E-Commerce Directive,Arts 12(3),13(2),14(3).

The categories of copyright works, primary copyright infringement and defences primarily applicable in this respect having been examined in Chapters A-C, the central element of this thesis, namely, 3PCL for copyright infringement may now be turned to. In this respect, such will be defined in the unique UK context, placed in perspective and compared with the general tort theories, and the two main constituent parts examined; namely authorisation and joint tortfeasorship. Thereafter, in keeping with the logical structure of this thesis, in the event that liability is produced, remedies will be examined. Moreover, the discussion will be supplemented by an examination of the DEA 2010, given its particular relevance to a crucial subset of OSPs. Lastly, a general conclusion will highlight relevant findings in relation to this chapter, and in particular 3PCL.

I. Secondary Copyright Infringement Defined

The provisions under the CDPA 1988 relating to secondary liability are ss.22-26. Reference is made to the above section on primary copyright infringement, which provides conceptual assistance by delineating its contents from secondary copyright infringement thereby orientating the discourse in this thesis. These provisions are stale in that they have little to do with modern OSP related liability issues, at least as they relate to the categories of works this thesis is covering;²⁷⁹ they cover commercial acts relating to the importation of infringing copies into the UK, possessing or dealing with infringing copies, providing the means for making infringing copies, permitting use of premises for infringing performance and provision of apparatus for infringing performance. They are the only *statutory* categories of copyright infringement requiring primary acts of infringement.

It must at this juncture be stated that this statutory construction is worthy of note, especially with a view to later chapters.²⁸⁰ The 1977 Copyright Committee (Whitford)²⁸¹ recommended that persons *authorising* infringements should be held liable and that this was to be included in this section. It may therefore be argued

²⁷⁹ See *Meltwater*, (n223) for literary works and hyperlinks and s.23 CDPA 1988.

²⁸⁰ Part 2, Chapter D(VII)(1).

²⁸¹ Cmmd.6732, [749].

that the Whitford Committee was in favour of a logical expansion of the secondary liability section.

The main requirement running through ss.22-26 CDPA 1988 for liability to manifest itself is one of “guilty knowledge” on behalf of the defendant. This requirement is present to ensure that traders that deal in infringing copies without suspecting such or having the wherewithal to ascertain such are not held liable. This could, on the side, be stated to be the antithesis to the distribution right, while bearing in mind that such traders may for example be liable for issuing copies to the public under s. 18 CDPA 1988.

II. A Tort Law Perspective

Torts may be delineated by reference to contracts, unjust enrichments and other events as proposed by Birks in his fourfold classification.²⁸² Generally it may be said that for civil wrongs as a category the nature of the wrong gives rise to the remedy. A civil wrong may be defined as “a breach of the legal duty which affects the interests of the individual to a degree which the law regards sufficient to allow the individual to complain on his or her account, rather than as a representative of society as a whole”.²⁸³

On a conceptual level Winfield also offers a distinction between tort and contract; namely that tortious duties are fixed by law, whereas contractual duties are based on the consent of the parties and the terms set out between them.²⁸⁴ Atiyah frames this in terms of referring to voluntary obligations for contracts, and involuntary obligations for tort.²⁸⁵ In most cases tortious duties are owed to persons generally, whereas contractual duties are owed to specific persons; whereas Birks notes that there is significant scope for overlap.²⁸⁶

²⁸² Birks, “*The Concept of a Civil Wrong*” in Owen (ed.), *Philosophical Foundations of Tort Law* (1995), 51.

²⁸³ Clerk and Lindsell on Torts, (20th Ed. Sweet & Maxwell), 1-02, citing Birks, *The Concept of a Civil Wrong*, in Owen (ed.), *Philosophical Foundations of Tort Law* (1995).

²⁸⁴ Percy H. Winfield, Sir, *The province of the law of tort*, (Cambridge; Cambridge University Press, 1931), 32.

²⁸⁵ P.S. Atiyah, *The rise and fall of freedom of contract*, (Oxford; Clarendon Press, 1979), 408.

²⁸⁶ Birks, (n282), 51.

Concerning intellectual property rights, infringement can in some instances be recognised as tortious despite the fact that breach of said rights is placed on a statutory footing; breaches thus not being torts at common law. Arnold (as he was then) notes that a precise delineation of the nature of intellectual property rights generally is however not available.²⁸⁷ Yet, as noted in *PSM International Plc v Specialised Fastener Products (Southern) Ltd*, fortunately for this thesis in terms of simplification, the infringement of copyright is always treated as a tortious invasion of a property right.²⁸⁸

1) Vicarious Liability

It is accepted as a principle of law in the United Kingdom that a person is liable for torts committed by other persons where it can be determined that such were authorised or subsequently ratified. In this general tort law corpus “authorising” can be said to involve instigating another to commit a tort. Whereas classically this type of liability lies between an employer and employee it is not limited to the commission of common law torts. Vicarious liability can also be imposed for equitable wrongs and breaches of statutory obligations, as held in *Majrowski v Guy’s and St Thomas’ NHS Trust*,²⁸⁹ where an employer, the appellant NHS Trust, was held vicariously liable in damages under s.3 Protection from Harassment Act 1997 (PHA 1997), due to the actions by one of its employees which amounted to harassment in breach of s.1 PHA 1997. It was held that unless the statute in question expressly or impliedly indicated that vicarious liability was not applicable, an employee that committed a breach of statutory obligation which sounded in damages while acting in the course of employment, could thus implicate the employer. It was however also stated that:

A precondition of vicarious liability is that the wrong must be committed by an employee in the course of his employment. (...) If this prerequisite is satisfied the policy reasons underlying the common law

²⁸⁷ R. Arnold, *Can One Sue in England for Infringement of Foreign Intellectual Property Rights?* [1990]EIPR 25,n.11.

²⁸⁸ *PSM International Plc v Specialised Fastener Products (Southern) Ltd*, [1993]F.S.R.113,116 ‘infringement of copyright is and always has been treated as a tortious invasion of a property right.’

²⁸⁹ *Majrowski v Guy’s and St Thomas’ NHS Trust*, [2006]UKHL34; [2007]1W.L.R.398.

principle are as much applicable to equitable wrongs and breaches of statutory obligations as they are to common law torts.²⁹⁰

It would thus seem that even concerning 'ratification' which is defined as "in effect, subsequent authorisation",²⁹¹ vicarious liability is generally not readily applicable or transposable into the realm of intellectual property, even where the employer-employee relationship substituted for that of an independent contractor or falls within the *sui generis* category of liability for negligent acts committed with lent chattel (mainly cars).²⁹²

2) Joint and Several Torts

Where torts are committed by two or more tortfeasors, these may be a) joint tortfeasors where the defendants are each responsible for a joint, tortious course of action which injures another; b) several tortfeasors which have caused the same damage; or c) several tortfeasors causing different damage.²⁹³

Generally, theories concerning and developed by case law involving joint and several torts deal with relationships concerning agents/principals, employers/employees and independent contractors²⁹⁴ similarly in this regard to vicarious liability, mentioned in the preceding section above. However, interestingly for this thesis, liability as to joint and several torts in the general, non-IP, field is not limited to instances such as these, where a pre-existing relationship is required for the operability of the instant theory of liability.

Such liability may instead also be imposed in cases where there is no pre-existing relationship, as long as a concerted action can be identified. This would mean, for example, that one person *instigated* another to commit a tort, thus creating joint

²⁹⁰ Ibid [10],[57].

²⁹¹ Clerk & Lindsell,(n283),[6-02].

²⁹² Amusing;*Ormrod v Crosville Motor Services Ltd* [1953]1W.L.R.1120.

²⁹³ See Part2,ChapterD(IV).

²⁹⁴ See for e.g. *Clark v Hosier Dickson Ltd*,[2003]EWCA Civ1467.

tortfeasors.²⁹⁵ Situations where two or more parties can be identified to have respective shares in the commission of a tort, and these are done in the furtherance of the common design, this will also suffice for tortious liability to arise.²⁹⁶

In terms of delineating this category of liability, it is thus logical that mere similarity of design on the part of independent actors, causing independent damage, is not enough; there must be concerted action towards a common end.²⁹⁷ Therefore mere facilitation, as compared to actual procurement, does not give rise to liability.²⁹⁸

It is in this connection reiterated again that commentators have observed that torts of all kinds may be joint.

III. Authorisation (Unauthorised Authorisation)

1) A Short History of Authorisation

Whereas the current definition of authorisation of copyright infringement, as discussed in detail in the section below, has evolved from that accepted for the purposes of the CA 1911 i.e. to ‘sanction, approve, and countenance’,²⁹⁹ the situation immediately prior to and following the introduction of the word “authorised” with the CA 1911 is nonetheless instructive.³⁰⁰

²⁹⁵ *Brooke v Bool* [1928]2K.B.578. See also *White v Withers LLP*, [2009]EWCACiv1122; [2010]1 F.L.R.859.

²⁹⁶ As stated in *The Kursk* [1924], 140, 151, 156, 159. See also *MCA Records Inc v Charly Records Ltd* (No.5) [2001]EWCA,Civ1441; [2002]E.M.L.R.1; *Shah v Gale*, [2005]EWHC1087(QB).

²⁹⁷ See *Hume v Oldacre*, (1816)1Stark.351,352, per Lord Ellenborough; *Cook v Lewis*, [1952]1 D.L.R.1 (Supreme Court of Canada); both hunting/trespass cases.

²⁹⁸ *Generics (UK) Ltd v H Lundbeck A/S*, [2006]EWCACiv1261; but of course especially *Amstrad*, (n4).

²⁹⁹ *Falcon v. Famous Players Film Company*, [1926]2K.B.474,491, per Bankes L.J. following *Monckton v Pathe Freres Pathephone Ltd*. [1914]1KB395 and *Evans v. Hulton*, [1924]W.N.130.

³⁰⁰ *Falcon*, (n299), 496 (Scrutton LJ): “In my view the wording of the Act of 1911 was intended to enlarge the protection to authors, and to sweep away those decisions by which their rights had been limited (...).”

The situation prior to the CA 1911, as exemplified by *Karno v. Pathé Frères*,³⁰¹ evidenced reliance on a statutory environment which negated 3PCL in circumstances where “a defendant who for reward gave permission to a third person to represent a play in breach of the owner's copyright did not “cause it to be represented,” unless the person so representing it was the servant or agent of the defendant.”³⁰² It will be observed that the operative element in the definition of 3PCL in was “*cause*” which was substituted with the word “*authorise*” in the 1911 Act and given meaning by Tomlin J in *Evans v. Hulton*³⁰³ as well as Buckley LJ in *Monckton v. Pathé Frères*.³⁰⁴

In *Evans v. Hulton*, Tomlin J seeking to fill the statutory right of the copyright holder to authorise certain acts relating to a work with the normal, ordinary meaning, had recourse to the Oxford dictionary which defined “to authorise” as “to give formal approval to, to sanction, approve, countenance”.³⁰⁵ Two things may be indirectly observed in this respect. The first is that it is noteworthy that the plain dictionary definition of authorisation was adopted in this manner, and continues to be used today. The second is that both the adoption of authorisation in this regard as well as the dictionary meaning accorded, as recognised in the *Falcon v. Famous Film Players*, represents a half-turn from the requirement of directions to another implicit in the word “*cause*”.³⁰⁶ Though not terminologically acknowledged at the time, ‘authorisation’ by the allowance for a finding of such on the part of the authoriser without authority can be termed ‘ratification’. The problem that arises however is that it is stated in *Falcon*, “a man who has no legal right to do an act himself may authorize another to do it, if that other believes that he is in a position to give him the legal right to do it, which was the case here.”

This means that the definition “sanction, approve, and countenance” falls prey to the same problem in modern OSP contexts, with the theory of authorisation predicated upon, as will be seen below, of an ‘inducing’ grant of permission, namely that it is entirely unlikely that in situations factually similar to that in *Newzbin*, but arguably even in *Amstrad*, most direct infringers actually believe a

³⁰¹ 100L.T.260 as cited in *Falcon*,(n299),491.

³⁰² *Falcon*,(n299),491(Scrutton LJ).

³⁰³ [1924]W.N.130.

³⁰⁴ [1914]1K.B.395.

³⁰⁵ *Evans*,(n299); cited in *Falcon*,(n299),486(BankesLJ).

³⁰⁶ *Falcon*,(n299),486(BankesLJ).

transfer of such a right or permission is vested in the purveyor and actually takes place.

It is therefore submitted that it is regrettable that an illogical and impermissible state of affairs has been reached in the UK jurisprudence where this ‘inconvenient fact’ of a requirement of belief on the part of the direct infringer is ignored. Some commentators may well enquire whether in particular the High Court was free to make such an assessment, given clear precedent.³⁰⁷ Yet this similarity between the two definitions of authorisation in UK law is perhaps not surprising given Atkin LJ’s recognition in *Falcon* that his, subsequently oft quoted and relied on “construction of the word to “authorise”, predicated upon granting of permission, as examined above, “seems to have been the one adopted by Buckley L.J. in *Monckton v. Pathé Frères*, where he held that the seller of a gramophone record authorizes the use of the record, and by Tomlin J., (...) in *Evans v. Hulton*”.³⁰⁸ In other words, both definitions may be equated. These facets are explored in depth below.

2) The Current Definition of Authorisation

The current definition of authorisation of copyright infringement has evolved from that accepted for the purposes of the CA 1911 i.e. to ‘sanction, approve, and countenance’,³⁰⁹ to that approved of in *Amstrad* and *Newzbin*, citing Atkin LJ:

[T]o ‘authorise’ means to grant or purport to grant to a third person the right to do the act complained of, whether the intention is that the grantee act on his own account, or only on account of the grantor.³¹⁰

It was held in *Amstrad* that in the context of the CA 1956 that the above grant or purported grant of the right to do the act complained of may be expressed or implied.³¹¹ It is furthermore of particular interest that the definition of

³⁰⁷ Most recently Kitchin J in *Newzbin*,(n140).

³⁰⁸ *Falcon*,(n299),499(AtkinLJ).

³⁰⁹ *Falcon* (n299),491,per Bankes L.J. following *Monckton v Pathe Freres Pathephone Ltd*. [1914]1KB395 and *Evans v. Hulton*, [1924]W.N.130.

³¹⁰ *Ibid*,499.

³¹¹ *Amstrad*,(n4)1054.

authorisation espoused in *Moorhouse v. The University of New South Wales*³¹² per Gibbs J:

A person who has under his control the means by which an infringement of copyright may be committed-such as a photocopying machine-and who makes it available to other persons, knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and omitting to take reasonable steps to limit its use to legitimate purposes, would authorise any infringement that resulted from its use.³¹³

was met with what can be termed a “judicial shrug of the shoulders”.³¹⁴

Likewise the definition in *R.C.A. Corporation v. John Fairfax & Sons Ltd* (High Court of Australia)³¹⁵ approving a passage in Laddie, Prescott and Victoria, the Modern Law of Copyright (1980)³¹⁶ per Kearney J,³¹⁷ was refused as being stated much too widely in *Amstrad*:

A person may be said to authorise another to commit an infringement if one has some form of control over the other at the time of infringement or, if he has no such control, is responsible for placing in the other’s hands materials which by their nature are almost inevitably to be used for the purpose of infringement.³¹⁸

The above could be termed an “inevitability” test, and it is interesting to see how Kitchen J’s judgement in *Newzbin* could, impliedly, be said to incorporate or reflect this standard to a certain degree. This will be looked at below, however it must first be noted that the definition of authorisation approved in *Amstrad* and also in *Newzbin* was the same as that propounded by Whitford J in *C.B.S. Inc v. Ames Records & Tapes Ltd*.³¹⁹:

³¹² *Moorhouse v. The University of New South Wales* [1976] R.P.C. 151.

³¹³ *Ibid*,159.

³¹⁴ *Amstrad*,(n4)1054;Lord Templeman: “whatever may be said about this proposition...”.

³¹⁵ *R.C.A. Corporation v. John Fairfax & Sons Ltd*,[1982]R.P.C.91.

³¹⁶ Laddie, Prescott and Victoria, the Modern Law of Copyright,(1980),[12.9],403.

³¹⁷ *R.C.A.*,(n293),100.

³¹⁸ *Amstrad*,(n4),1055.

³¹⁹ *C.B.S. Inc v. Ames Records & Tapes Ltd*. [1982]Ch.91.

Any ordinary person would, I think, assume that an authorisation can only come from somebody having or purporting to have authority and that an act is not authorised by somebody who merely enables or possibly assists or even encourages another to do that act, but does not purport to have any authority which he can grant to justify the doing of the act.³²⁰

To be specific, it was held in *Newzbin* that authorisation:

[D]oes not extend to the enablement, assistance or even encouragement. The grant or purported grant to do the relevant act may be expressly implied from the relevant circumstances. In a case which involves an allegation of authorisation by supply, these circumstances may include the nature of the relationship between the alleged authoriser and the primary infringer, whether the equipment or other material supplied constitutes the means used to infringe, whether it is inevitable it will be used to infringe, the degree of control which the supplier retains and whether he has taken any steps to prevent infringement. These are matters to be taken into account and may or may not be determinative depending upon all the other circumstances.³²¹

The above definition of authorisation can, as noted above, be viewed as incorporating the somewhat wider “inevitability” standard rejected in *Amstrad*. It is furthermore submitted that this definition contains at the very least a modicum of logical inconsistency, concerning the combination of the aforementioned standard and the stated “rejection” of enablement, assistance and encouragement. The disclaimer concerning determinativeness waxes thinly given the application, as discussed below, of this standard in the instant case.

Before applying the stated definition of authorisation, Kitchin J in *Newzbin* examined the Australian law on authorisation. After noting the applicability of s.101 Australian CA 1968, the judge went on to briefly summarise two pertinent

³²⁰ Ibid,106.

³²¹ *Newzbin*, (n140), [90].

decisions, namely *Cooper v Universal Music Australia Pty Ltd*³²² and the more recent *Roadshow Films Pty Ltd v iiNet Ltd (No. 3)*.³²³

Cooper concerned a website which was run for commercial benefit and provided hyperlinks to popular sound recordings which could be downloaded easily. The essence of the case can be summarised as being that whereas the overwhelming majority of files were protected by copyright, the operator had a commercial interest in attracting users and furthermore did not take any reasonable steps to prevent or avoid use of said website for the copying copyrighted sound recordings. It was in fact alleged that the operator deliberately designed the website to facilitate such use and that disclaimers to the contrary were merely cosmetic.

The recent decision in *Roadshow* concerned itself with the liability of an ISP in Australia for the infringement of copyright in cinematographic works by users employing Bit Torrent technology.³²⁴ The claim against the ISP was dismissed on three grounds, firstly because infringements occurred as a result of the Bit Torrent system and not the ISPs services and in this context it was relevant that the ISP did not control Bit Torrent; secondly, because the ISP did not have the power to prevent infringements; and thirdly because the ISP did not sanction, approve or countenance copyright infringement.

It should be noted that an appeal was filed in *Roadshow* as of 25 February 2010 by AFACT (Australian Federation Against Copyright Theft), an industry action group, stating that “there were good grounds to appeal the decision” since “the court found large-scale copyright infringements, that iiNet knew they were occurring, that iiNet had the contractual and technical capacity to stop them and [that] iiNet did nothing about them”.³²⁵ However, as Swinson & Pearson have noted, “the decision to appeal is interesting given that the decision of Justice Cowdroy suggests that the applicants’ claim was wholly without merit – stating that “it was

³²² *Cooper v Universal Music Australia Pty Ltd*, [2006]FCA187.

³²³ *Roadshow Films Pty Ltd v iiNet Ltd (No. 3)*, [2010]FCA24; note *Roadshow Films Pty Limited v iiNet Limited* [2011] FCAFC 23 (24 February 2011).

³²⁴ See BitTorrent website, “A Beginner’s Guide to BitTorrent” <http://www.bittorrent.com/btusers/guides/beginners-guide> (17 October 2010).

³²⁵ The Australian, “AFACT to Appeal iiNet Decision”, 25 February 2010, <http://www.theaustralian.com.au/australian-it/affect-appeals-iinet-decision/story-e6frgakx-1225834283998> (20 October 2010).

impossible to conclude that iiNet has authorised copyright infringement”.³²⁶ In any event, on 24 February 2011 the Federal Court of Australia (Full Court) in *Roadshow*³²⁷ dismissed the appeal. It found that there was no authorisation by the defendant of the acts of infringement committed by the relevant users. It is unfortunately beyond the scope of this thesis to analyse the reasoning in depth, including the operability of the interesting safe harbour provisions discussed in the judgment.³²⁸

In respect of *Cooper* and *Roadshow* Kitchen J in *Newzbin* noted that they were decided differently because the facts in both cases were very different – but also that they were entirely consistent with the principles which applied in his case.

To avoid the impression that the above represent the only cases in the UK on authorisation, it must be observed that there are numerous other cases dealing with this form of liability.³²⁹ Those cited above are however the ones most relevant.

3) Application of Authorisation Liability

It is worth at this juncture analysing one of the most recent and relevant decisions by the High Court in this area, namely *Twentieth Century Fox Film Corporation et al v Newzbin Limited*.³³⁰ The facts were as above.³³¹

The claimants claimed that the defendants infringed copyright by authorising such within the meaning of s.16(2) CDPA 1988, namely, ‘copyright in a work is infringed

³²⁶ J. Swinson & L. Pearson, *Roadshow Films Pty Ltd v iiNet Ltd (No.3): Australia – intellectual property – copyright*, CTRL2010,16(4)N75-77,N77, citing the judge’s summary.

³²⁷ *Roadshow Films Pty Limited v iiNet Limited* [2011] FCAFC 23 (24 February 2011); note *Roadshow Films Pty Ltd v iiNet Ltd* [2011] FCAFC 82 (1 June 2011) note various High Court of Australia transcripts e.g. *Roadshow Films Pty Ltd & Ors v iiNet Limited* [2011] HCATrans 325 (2 December 2011) on http://www.austlii.edu.au/cgi-bin/sinorsh.cgi?query=roadshow+v+iiNet&results=50&mask_world=&mask_path=&callback=on&method=auto&meta=%2Fau (accessed 29 December 2011).

³²⁸ [258] *et seq.*

³²⁹ *Ash v Hutchinson and Co (Publishers) Ltd* [1936] Ch. 489; *ABKCO Music v Music Collection Internaitonal* [1995] RPC 657; *Football Dataco Ltd Sportradar GmbH* [2010] EWHC 2911 (Ch); *Pensher Security Door Co Ltd v Sunderland City Council* [2000] RPC 249 (CA) to name but a few.

³³⁰ *Newzbin*, (n140).

³³¹ Part2, ChapterB(II)(3)(c).

by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright'. It may be worth noting already, before examining the claims of joint tortfeasorship below³³² that these concepts are logically related in the sense that authorising another whether inherently or overtly and the concept of becoming a joint tortfeasor or having procured the infringing act, could be said to be a matter of degree. In practice, the grey area lying between the authorisation and the joint tortfeasorship or procurement of an infringing act is often crossed. Although it must in this regard would be remembered that "authorisation" of an infringement is distinct from the infringing act itself. Contrary to some commentators' assertions,³³³ this distinction is perhaps best highlighted and derived from the wording of s.16(2) CDPA 1988 itself rather than cases such as *Ash v Hutchinson & Co. (Publishers) Ltd*,³³⁴ or more recently, *ABKCO Music v Music Collection International Ltd*.³³⁵ For that wording itself suggests an independent act. It must in this connection, unsurprisingly, also be noted that the acts of a party's servants or agents may render the principal vicariously liable.

a) Comparison to Amstrad

It is not surprising that Kitchen J in *Newzbin* cites *Amstrad* when going over the meaning of authorisation in the context of copyright infringement.³³⁶ In *Amstrad* the claimants famously objected to the manufacture and sale by the defendants of machines 'offering [a] double headed copying facility [which] encourages, incites or otherwise facilitates the copying of pre-recorded and other cassettes containing copyrighted sound recordings and musical works'(in other words twin-tape decks operable at double speed when recording).³³⁷

The Descriptions

³³² Part2,ChapterD(IV)(2).

³³³ Copinger,(n91),7-130.

³³⁴ [1936]Ch.489,501.

³³⁵ [1995]RPC657.

³³⁶ *Amstrad*,(n4),1013.

³³⁷ *Ibid*, 1051.

In what is a beautiful parallel, Lord Templeman in *Amstrad* picks out two facts regarding the plaintiff's conduct that mirror the claimant's conduct in *Newzbin*, parts of which were cited by Kitchin J. The first relates to the description of the recording equipment , 'now features "high-speed dubbing" enabling you to make duplicate recordings from one record to another record directly from any source and then make a copy and you can even make a copy of your favourite cassette'.³³⁸

The above quote specifically advertises the copying and "high-speed dubbing" feature of the product. This aspect of the product was advertised to "home copiers" by Templeman LJ that is to say 'members of the public who, by using Amstrad or other machines which were capable of making copies of sound recordings, can copy onto a blank tape and expenditure of less than one pound an original recording priced at £5 or £10. A home copier makes a copy for his own private use and is thus to be distinguished from a "pirate" who makes infringing copies the sale.'³³⁹ The feature is used to record and tape onto a blank tape at twice the speed of playback.

It was secondly, noted by Templeman LJ that an asterisk at the end of the above warning drew the potential purchaser's attention to a footnote, 'the recording and playback of certain material may only be possible by permission. Please refer to the CA 1956, and the Performers Protection Act 1958-1972.'³⁴⁰

Before going on to examine the parallel the above presents to the instant case, it is worth noting that Templeman LJ cited the whole advertisement for the Amstrad model tape recorder. This is relevant because it puts the "boast" about the "high speed dubbing" into perspective, or rather, into further perspective. The advert started with the assertion that the Amstrad model consisted of various other 'flush look' parts.³⁴¹ Thus the "boast" was part of a longer advertisement that lessened the impact or the value of incitement to purchase an Amstrad machine based on its technical capability to copy works quickly.

³³⁸ Ibid,1050.

³³⁹ Ibid,1048.

³⁴⁰ Ibid,1051.

³⁴¹ Ibid,1050.

Concerning the parallels to the instant case, the log in/welcome page and message on the Newzbin website similarly informed users of other features.³⁴² This can be likened to the advertising for the Amstrad model. A statement appeared on the bottom at the same page:

Newzbin indexes the contents of USENET, however it *neither provides or uploads* any of the files that may be contained within it. Any descriptions are a result of the indexing and therefore do not relate to downloadable files.³⁴³

This attempt at a disclaimer thus bears semblance to the disclaimer in the *Amstrad* case, even if it is somewhat less fact specific; what however is clear, is that as noted above, the user terms and conditions mirror those of the editors, which “attempt” to restrict the use of the site to lawful purposes not including ‘breach of copyright or any other intellectual property rights, or in breach of the Computer Misuse Act 1990 or other relevant legislation or the rights of another user’.³⁴⁴

b) The difference between Amstrad and Newzbin

Of course, there are certain major differences between *Amstrad* and *Newzbin*. First of all, blank tapes are capable of being used to record any recording whether protected by copyright or not and, in cases where copies are made of copyright protected works defences may be available. As such tapes or better to say Amstrad tape recorders are dual use items, despite it being noted in the case that “it is statistically certain that most but not all consoles are used for the purpose of home copying in breach of copyright”.³⁴⁵ Furthermore, it is up to the purchaser or operator of the equipment whether and what kinds of copies are made. Notably, the manufacturer, Amstrad, has no control over this activity following the first sale of the product. Lord Templeman in *Amstrad* noted, and Kitchen J cited almost

³⁴² *Newzbin*, (n140), [17].

³⁴³ *Ibid.*

³⁴⁴ *Ibid*, [44].

³⁴⁵ *Amstrad*, (n4), 1050.

verbatim in *Newzbin*, that “by selling the equipment, the defendants might facilitate copying but did not authorise it”.³⁴⁶

Newzbin’s services include not only indexing and categorisation but also the creation of NZB files available to download onto members’ computers which allow for the assembly of original binary works and the making of copies of said in doing so. In this connection it is significant that the judge considered it highly relevant that “a very large proportion of the content of the Movies category is commercial and so very likely to be protected by copyright” and that “in the context of the other features of Newzbin, the NZB facility provides the means for infringement, was created by the defendant and is entirely within the defendant’s control”.³⁴⁷ It would thus seem that the element of “ongoing” control in *Newzbin* coupled with the skewed ratio of copyright protected to unprotected works is the main differences between the two cases. The judge in *Newzbin* also cited the absence of a filtering system to deal with the very large proportion of copyrighted content, as well as the active encouragement of editors to make reports on films, as supporting the proposition of authorisation of copyright infringement.³⁴⁸

Concerning advertising, there is also a significant divergence between both cases. It is noted in *Newzbin* that the advertising in *Amstrad* did not authorise unlawful copying; instead, or rather to the contrary, it warned that some copying required permission and made it clear that the manufacturers Amstrad did not have any authority to grant such permission.³⁴⁹ It was also noted, more or less verbatim from *Amstrad*, that “no purchaser could reasonably deduce from the equipment or from the advertisement that the defendants possessed or purported to possess the authority to grant any required permission for a record to be copied”.³⁵⁰ What is it particularly interesting in this regard is that this is a close, policy, judgment call.³⁵¹

c) Application of the Law to the Facts

³⁴⁶ *Newzbin*, (n140), [88]; *Amstrad*, (n4), 1053.

³⁴⁷ *Ibid*, [100-101].

³⁴⁸ *Ibid*, [101].

³⁴⁹ *Ibid*, [88].

³⁵⁰ *Ibid*, [88]; *Amstrad*, (n4), 1053.

³⁵¹ *Amstrad*, (n4), 1053.

The facts which were relevant for a finding of authorisation of copyright infringement were as follows. The judge first noted that the premium members had infringed the claimants' copyright in their films, including those specifically identified these proceedings, by subscribing to Newzbin's facilities which allowed them to download said works. Considering the question of authorisation on the part of Newzbin, Kitchin J opined that the following particularly relevant:

- 1) The nature of the relationship between the defendant and its members:

This analysis included noting the "for profit" contractual nature of the setup; the specialised and targeted categories and subcategories; the binary listing and grouping of messages and the extremely useful and important NZB facility.

- 2) The large proportion of copyright protected content and the movies category;
- 3) The absence of an easy to install and thus entirely feasible filtering system;
- 4) The encouragement to the editors regarding posting films with URLs; and
- 5) The retention and editors who have been known to post reports on infringing materials.

It was therefore held that:

[A] reasonable member would deduce from the defendant's activities that it purports to possess the authority to grant any required permission to copy any film and that a member may choose the Movies category on Newzbin and that the defendant has sanctioned, approved and countenanced the copying of claimants' films.³⁵²

Kitchin J chose to specifically incorporate the definition "sanctioned, approved and countenanced". The wording of the above when read closely, despite faintly resembling the definition as espoused by Atkin LJ as mentioned, could be said to be impotent, since it only refers to purporting to possess the requisite *authority* and not actually purporting to do any *granting* of the right to do the act complained of. This formulation has more in common with the statement of Whitford J in *Ames*. In fact, it mirrors the ordinary/reasonable person standard³⁵³ as well as "having or purporting to have authority". What must be stated however

³⁵² *Newzbin*, (n140), [102][emphasis added].

³⁵³ See M Mayo, *Rethinking the Reasonable Person, An Egalitarian Reconstruction of the Objective Standard* (OUP 2010).

in this regard is that Whitford J's observation whilst being an accurate observation cannot be said to reflect the standard required for a finding of authorisation of copyright infringement *per se*. Instead it is perhaps better to view Whitford J's above quoted statement as an elaboration on Atkin LJ's standard, again as noted above. It could perhaps be observed in this regard that Kitchen J was aware of this fact and therefore included the word "and" in his finding, as emphasised. What is however troubling in this regard is that the definition "sanctioned, approved and countenanced" has more in common, as noted above, with the wider "inevitability" standard, since the definition in *Ames* also specifically states that someone who "merely enables or possibly assists or even encourages another to do that act, but does not purport to have any authority which he can grant to justify the doing of the act", would not be liable for authorisation of copyright infringement and that what is required per Atkin LJ; also specifically, a "purported grant". It must therefore, with great respect, be submitted that Kitchen J must have suspected that a combination of Atkins J's and Whitford J's definition of authorisation, as adopted in *Amstrad*, would not have yielded a finding of liability on the part of *Newzbin*. Only by reformulating these standards could liability be produced.

The incorporation of the various factors listed above, following a consideration of the Australian practice of taking such factors into account, whereas arguably legitimate, relies quite heavily not only on the statute but on the formulation of authorisation in *Moorhouse*, that control of the means, making available of such with knowledge or suspicion of infringement *without reasonable preventative measures*, results in liability.³⁵⁴ The judicial finding in the instant case, without saying as much, arguably thus distinguishes *Amstrad* from *Newzbin* due to the alleged control element, since it would otherwise overlook the absence of a duty "to prevent or discourage or warn against infringement" as in *Amstrad*.³⁵⁵ Although it could be argued that the control element is only relevant to a finding of negligence. Concerning the actual level of control, bearing in mind that the definition in *Moorehouse* cites photocopying machines as providing the requisite standard, it must be said that providing search, indexing and NZB facilities to premium members would most likely objectively be viewed as exceeding the

³⁵⁴ *Moorhouse*, (n312), 159.

³⁵⁵ *Amstrad*, (n4), 1060.

requisite minimum level of control of the means by which infringement of copyright may be committed.

IV. Procurement and Participation in a Common Design (Joint Tortfeasorship)

1) The Definition of Procurement and Participation in a Common Design

Copyright infringement, despite its seemingly elevated status among the throng of torts a culpable person/entity may commit, is susceptible to the common rules regarding joint/several liability just as much baser civil wrongs. As such, it is not surprising that the plaintiffs in *Newzbin* allege, and Kitchen J considers “procurement and participation in a common design”. Yet many of the applicable formulations from precedent stem from cases that do not deal with intellectual property matters.

Concerning copyright infringement in this way, liability for procurement is separate from the participation in a common design. The procurement of copyright infringement will render the participants jointly and severally liable, whereas participation in a common design will only render the perpetrators jointly liable. As noted in the case, there is naturally a lot of overlap between the two categories.

This classification is relevant since:

If one of a number of joint tortfeasors, or of several tortfeasors causing the same damage, is sued alone, he is liable for the whole damage, though he did but a small part of it. In the case of several tortfeasors causing different damage, on the other hand, each is liable only for the damage which he has caused.³⁵⁶

One of the perhaps most authoritative discourses on the application of the allegation of the legal construct of joint liability can be found in *Amstrad*. The case thus references several patent decisions relating to the concept in question. The first two cases cited shore up the theory that knowledge whether general or

³⁵⁶ Clerk & Lindsell,(n283),4-02.

specific, that a customer or associate will use the product sold, and one would assume that this would be the same for services provided, in a manner such as to infringe an intellectual property right, is *insufficient* to render the person with such knowledge liable for joint infringement. It was held in *Townsend v Haworth* (1875), a case that dealt with a defendant selling chemicals for use by the purchaser to infringe a patent, concomitantly with purported promises of indemnification should the purchaser be liable, that:

Selling material for the purpose of infringing a patent to the man who was going to infringe it, even although the party who sells it knows that he is going to infringe it and indemnify him, does not by itself make the person who sells an infringer. *He must be a party with a man who so infringes, and actually infringe.*³⁵⁷

In *Amstrad* the rights holders also tried to avail themselves of the decision in *Innes v. Short and Beal* (1898), a case in which the defendant sold powdered zinc and included instructions on how the purchaser may infringe a process patent, in particular:

There is no reason whatever why Mr Short should not sell powdered zinc, and he will not be in the wrong, though he may know or expect the people who buy it from him are going to use it in such a way as will amount to an infringement of Mr Innes' patent rights. *But he must not ask the people to use it in that way, and he must not ask the people to use it in that way in order to induce them to buy this powdered zinc from him.*³⁵⁸

Therefore, the above two cases make clear that the law required a joint infringer to be "a party" or that incitement or inducement of infringement had taken place. Furthermore, the third case cited in this connection examined the nature of the products sold - questioning whether they could be, in essence, dual use. A product which could be dual use, naturally, would lessen the culpability of the parties

³⁵⁷ *Amstrad*,(n4),1055,citing Mellish LJ: *Townsend v Haworth*(1875)48 L.J.Ch.770,773 (emphasis added).

³⁵⁸ *Amstrad*,(n4),1056,citing Bingham J; *Innes v. Short and Beal*(1898)15R.P.C.449, 452(emphasis added).

involved in the commission of the alleged infringement, by providing what could be stated to be an inherent defence.

Thus, in *Dunlop Pneumatic Tyre Co Limited v David Mosley & Sons Ltd* where the products in question were tyre covers which formed part of a combination patent for tyres and rims, but which whilst being adapted for use in the manner described in the patent, could also be used for other purposes. Swinfen-Eady J stated that “the covers would probably ultimately be used in one or other of the patented methods but that those are not exhaustive of the purposes to which the covers may be put, and that they would be useful for other purposes in connection with other tyres...”³⁵⁹

Lastly, the third case cited, *The Koursk* p.140 per Scrutton LJ p156 explicitly adopted the formulation of the passage in Clerk and Lindsell on Torts, 7th edition (1921) p59 to the effect that ‘persons are said to be joint tortfeasors when their respective shares in the commission of the act are done in furtherance of a common design’.

Analysing *Newzbin* along the lines of the preceding cases, it is highly probable that the operators of the website knew of the infringing content, and indeed that they induced subscriptions to their services by openly encouraging the use of such. It is furthermore submitted that the above quotes by the operator of *Newzbin* yield the facts which would sustain the proposition that *Newzbin* is most likely not dual use.

It therefore follows that Kitchin J is entirely correct in citing Mustill LJ in *Unilever plc v Gillette (UK) Ltd*:

I use the words “common design” because they are readily to hand, but there are other expressions in the cases, such as “concerted action” or “agreed on common action” which will serve just as well. The words are not to be construed as if they formed part of the statute. They all convey the same idea. This idea does not as it seems to me, call to mind any finding that the secondary part has explicitly mapped out a plan with the primary offender. Their tacit agreement will be sufficient. Nor,

³⁵⁹ *Dunlop Pneumatic Tyre Co limited v David Mosley & Sons Ltd*, [1904] 1 Ch.164; 21 R.P.C. 53, 60.

as it seems to me, is there any need for a common design to infringe. It is enough if the parties combined to secure the doing of acts which in the event proved to be *infringements*.”³⁶⁰

The above quote is valuable in the respect that it more precisely explains the theory of “common design” and therefore joint liability, imparting that the degree of commonality of the objective need not be a high one. Naturally this worked against *Newzbin* in the current instance but also does so against any other ISP in the future. Yet Hobhouse LJ’s dictum in *Credit Lyonnais Bank Nederland NV v Export Credits Guarantee Dept* [1998] is also used in *Newzbin* to analyse the claim of joint tortfeasance:

But mere assistance, even knowing assistance, does not suffice to make that ‘secondary’ party liable as a joint tortfeasor with the primary party. What he does must go further. He must have *conspired* with the primary party or *procured* or *induced* his commission of the tort ...; or he must have joined in the *common design* pursuant to which the tort was committed (...).³⁶¹

What is interesting about the above quote is that it explicitly brings procurement into play and in effect equates it with inducement. The judge in *Newzbin* also looks to *Amstrad* concerning procurement, citing Templeman LJ:

I accept that a defendant who procures a breach of copyright is liable jointly and severally with the infringer for the damages suffered by the plaintiff as a result of the infringement. The defendant is a joint infringer; he intends and procures and shares a common design that infringement shall take place. *A defendant may procure infringement by inducement, incitement or persuasion.*³⁶²

Contrasting the quote from *Amstrad* with that taken from *Credit Lyonnais* above, it would seem that the concepts of procurement and common design overlap, whereas Lord Templeman’s definition of joint tortfeasorship in *Amstrad* is perhaps

³⁶⁰ *Newzbin*, (n140), [105]; citing *Unilever plc v Gillette (UK) Ltd* [1989] R.P.C. 583, 608 (emphasis added).

³⁶¹ *Newzbin*, (n140), [106]; citing *Credit Lyonnais Bank Nederland NV v Export Credits Guarantee Dept*, [1988] 1 Lloyd’s Rep 119, 46 (emphasis added).

³⁶² *Newzbin*, (n140), [104] (Emphasis added)

a little less accurate since it implies that intention of procurement and common design must necessarily take place together. The concept of common design is a broader one compared to that of mere procurement. Nonetheless the definition of procurement by Lord Templeman above once again expressly includes inducement, incitement or persuasion. Without pre-empting later chapters, this is a fact worthy of note.

2) Judicial Finding of Procurement and Common Design

Applying the above concepts and the law of joint tortfeasorship, Kitchin J in *Newzbin* started his ratio of this particular part by noting that the claimants were not able to:

‘point to specific acts of infringement by particular infringers which the defendant may be said to have procured. *However, I do not understand Lord Templeman’s speech in Amstrad to preclude a finding of liability in such a case.* Clearly it is one of the matters to be taken into account and absent the identification of such specific acts a finding of procurement would not in general be appropriate.’³⁶³

Kitchin J was referring to Lord Templeman’s finding that ‘generally speaking, inducement, incitement or persuasion to infringe must be by a defendant to an individual infringer and must identifiably procure a particular infringement in order to make the defendant liable as a joint infringer’.³⁶⁴ In effect Kitchin J has overruled this concept, also due to holding in almost apologetic terms that ‘the claimants are not able to identify particular infringements by particular members only because the defendant keeps no record of the NZB files they have downloaded’. It is in this connection submitted that Kitchin J’s Opinion is suspect in so far as it focuses on the identification of the infringement by particular members alone instead of also focusing on the inducement, incitement or persuasion by Newzbin to the infringers individually and in specific circumstances.

³⁶³ *Newzbin*, (n140), [110] (emphasis added) .

³⁶⁴ *Amstrad*, (n4), 1058.

It is further submitted that some commentators may wish to note that Kitchen J does not adequately address Templeman LJ's citation of Buckley LJ in *Belegging-en Exploitiemaatschappij Lavender B.V. v. Witten Industrial Diamonds Ltd.*: 'facilitating the doing of an act is obviously different from procuring the doing of an act.'³⁶⁵ Facilitation could be seen as a weaker form of inducement, one insufficient to yield a finding of procurement. Lord Templeman used this quote to explain why he refused to hold Amstrad liable for advertisements which persuaded potential customers to buy an Amstrad machine but that cannot be said to influence said purchasers later decisions to infringe copyright. It is possible that Kitchen J considered the facts in *Newzbin* as speaking for themselves in the sense that he found that:

[T]he defendant operates a site which is designed and intended to make infringing copies of films readily available to its premium members; the site is structured in such a way as to promote such infringement by *guiding* the premium members to infringing copies of their choice and then *providing* them with the means to download the infringing copies ... the defendant has further *assisted* its premium members to engage in infringement by giving advice through the sharing forums.³⁶⁶

It may thus be stipulated, and indeed inferred from Kitchen J's Opinion that by advertising its services as well as instructing and guiding customers, *Newzbin* in fact not only engaged in a common design but also procured the infringement of copyright with the aid its premium (subscriber) members.

3) Knowledge of Infringement and Feasibility of Filtering

Two issues which have been prevalent in this area of the law were considered in *Newzbin*, namely any (guilty) knowledge of infringement and the possibility of preventing infringement/the use of filtering technologies. At a basic level these

³⁶⁵ *Belegging-en Exploitiemaatschappij Lavender B.V. v. Witten Industrial Diamonds Ltd.* [1979]F.S.R59,65.

³⁶⁶ *Newzbin*, (n140), [111] (emphasis added).

questions were asked to ascertain culpability and intent. Naturally the possibility of preventing infringement by filtering technologies also normally in this area of the law includes a focus upon the feasibility i.e. whether filtering technologies would either be technologically or financially feasible. This question is usually asked by judges for the reason that even in instances where it is known that certain technologies such as search engines enable the infringement of copyright it is possible that a judgment which requires the use of filtering technology would foreclose or “chill” new technologies. This means that this is *de facto* a policy consideration in the truest sense.

The consideration of the defendant’s state of mind only has a bearing upon two of the three argued claims in *Newzbin* however, namely authorisation and joint tortfeasorship, since primary infringement of copyright by communication to the public is a strict liability offence. This means that guilty knowledge is irrelevant concerning the third claim, communication to the public.

Regarding the knowledge element, the defendant asserted that it had no knowledge of any infringing material being made available through the Newzbin website. During the trial in the High Court however it became evident in cross-examination that one of the three owners did indeed have a detailed knowledge of infringements³⁶⁷ concerning copying of BluRay technology³⁶⁸ which was accepted by Kitchen J, and assisted in obtaining TV show updates automatically.³⁶⁹

It was also relevant in this case that the defendant was given notice by the claimants that Newzbin had been used by members to infringe the claimants copyright in their films. The defendant however took no action. As a result of the above Kitchen J noted that he had no doubt that the defendant was aware for many years that most of the films in the Movies category of Newzbin were commercial and were likely to be protected by copyright and furthermore that the members of Newzbin who use the NZB facility to download such material were infringing copyright.³⁷⁰

³⁶⁷ Ibid, [75].

³⁶⁸ Ibid, [69].

³⁶⁹ Ibid, [71].

³⁷⁰ Ibid, [78].

a. Feasibility of Filtering

In what is a remarkably short space, Kitchen J accepts the trial's expert computer witness' unchallenged evidence that it would be straightforward for the defendant to control access to copyrighted cinematographic works in the Movie and TV categories of binary content. Furthermore it was also taken for granted that it is relatively easy to combine the information provided on the Newzbin database with that of a film database provided by the claimants. As such it might appear in the current instance to be entirely feasible to prevent copyright infringement.

V. Remedies against OSPs

Before examining the remedies available against OSPs it is important to stress that the emphasis of this thesis is on a comparative examination of 3PCL. The aim of this section is, therefore, to provide an overview of pertinent remedies only against OSPs.

Since the most relevant remedies are permanent ones, which take the shape of injunctions these will be discussed, injunctive relief being beyond the scope of this thesis. This discussion aids in appreciating the functionality of outcome of claims against OSPs, for example on the basis of 3PCL.

1) Final Relief

Final relief can be split into declaratory judgment and permanent injunctions.

a) Declaratory Judgement

A declaration by the court as to whether a particular act/subject matter is infringing may be sought by either content producers/rights holders or conversely potential defendants/OSPs.³⁷¹ It will however be necessary that the declaration will regard current verifiable and existing issues, namely actual or intended infringement of copyright, and that the declaration, limited to the factual

³⁷¹ Civil Procedure Rules 2010, Declaratory Judgments, Part 40, CPR40.20.

circumstances in question, will be of use in this regard.³⁷² Generally, declarations of non-infringement are not coupled with summary judgements, but may be granted where a final determination of the issues is obtained without a trial such as a default judgement, where this is essential for the administration of justice. The concern here is that the court does not generally wish to grant declaratory relief against persons that have not asserted rights.

b) Injunctions

Both Art.44 (1) TRIPS and Art.11 Enforcement Directive require the availability of permanent injunctions. Where claims regarding copyright infringement succeed, entitlement to a permanent injunction normally arises, to halt and/or restrain the infringement at issue,³⁷³ subject to the usual equitable caveats such as 'clean hands'.³⁷⁴

It is relevant to both content producers and content users that the court is allowed to grant requests for the award of pecuniary relief *in lieu* of an injunction. This is enshrined in Art.12 Enforcement Directive, and will be applicable in circumstances where the defendant infringed without intention and negligence, where the injunction would cause disproportionate harm and pecuniary compensation to the claimant would be reasonably satisfactory.³⁷⁵

Particular Problems concerning Injunctions against OSPs

Two related streams of European legislation impact on the availability and applicability of injunctions in a copyright context for OSPs. Art.8(3) EUCD requires the availability of injunctions against 'intermediaries whose services are used by a

³⁷² Verifiability; *Odham's Press Ltd v London and Provincial Sporting News Agency Ltd* [1936] Ch.357. Actual factual disputes and limitation of the declaratory judgements; *Moorehouse*(n290). Relevancy of the declaration sought; *Nokia Corp v InterDigital Technology Corp* [2007]EWHC 3077,5.

³⁷³ *Cantor Gaming Ltd v Gameaccount Global Ltd* [2007]EWHC1914(Ch);[2008]FSR4,[101].

³⁷⁴ E.g;*Occular Sciences Ltd v Aspect Vision Care Ltd*[1997]RPC289.

³⁷⁵ Art. 12 has not received special implementation United Kingdom. Moreover, it is not clear whether the remit of Art. 12 extends beyond that specified. This is important given the need for a determination of the applicability of precedent.

third party to infringe the copyright or related right'. From a policy point of view it is thus worth noting that the reasoning behind this is that intermediaries or OSPs are best placed to monitor the activities that they in fact sponsor, as noted in Recital 59 to the EUCD. Moreover it was also stated that such should be available even in instances where intermediaries would be exempted under Art.5 EUCD, in other words in instances where actions could be construed as 'permitted acts' (limitations to copyright).

Moreover, Art. 11 Enforcement Directive, which applies to all intellectual property rights, mirrors Art.8(3) and is stated to be without prejudice to said EUCD article. It however does not contain provisions for applicability in circumstances where Art. 5 may apply, such as acts of temporary reproduction. Art.11 has not been specifically formally implemented.

Concerning the above, the judge in *L'Oreal SA v eBay International AG*³⁷⁶ decided that Art.11, and in particular the scope of any such injunction, was unclear, and therefore decided to make a reference to the Court of Justice. Conversely, in *Newzbin* the judge did not identify any such difficulties, albeit concerning an infringing undertaking, and applied s.97A CDPA 1988, which can be said to implement Art.8(3).

As has been noted above, the government was previously of the opinion that there was initially no need for specific legislative implementation concerning Art.8(3) or Art.11. To a certain extent, regarding Art.11 this view holds some truth, as the judge in *L'Oreal SA v eBay International AG* noted, noted before making a CJ reference.³⁷⁷

As some commentators have noted, the consultation process concerning the implementation of the EUCD exposed the concerns of copyright holders on the implementation of Art.8(3) EUCD, especially since this made specific provision for intermediaries which were themselves *not infringing*, as mentioned above.³⁷⁸ As a result, the Government ultimately decided to implement said article in sections 97A and 191JA CDPA 1988, permitting injunctions against service providers where such had *actual knowledge* of a *third party* using its services to infringe copyright.

³⁷⁶ *L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch); [2009] RPC 21, [455-465].

³⁷⁷ *Ibid*, [454].

³⁷⁸ *Copinger*, (n91), [21-182].

The definition of actual knowledge is thus a crucial one. Actual knowledge will be construed by the court were taking into account all relevant matters including whether notice in accordance with Reg.6(1)(c) of the EC Regulations was served.

Practitioner commentators have observed that s.97A and s.191JA have seldom been used, due to the fact that applicants may end up having to pay defendant service providers' costs, despite the possible granting of an injunction. Moreover, *Newzbin* and its progeny is the only reported case in which s.97A CDPA 1988 has been applied. Granting relief under s.97A CDPA 1988 was in itself not necessary, since the defendant service provider was itself infringing.³⁷⁹

Concerning s.97A CDPA 1988, it was argued in *Newzbin* by the claimants that the defendant was a *relevant service provider* with *actual knowledge* and that the premium members had infringed claimants' copyrights. This is representative of what would be argued in similar instances in the UK. In this regard it may be noted that the definition of "service provider" as referenced above, referring to Reg.2 of the E-Commerce Regulations, simply means "any person providing an information society service". It will not escape the reader that this is a circular definition, and is not significantly improved by examining the meaning of "established service provider" or "information society services".

As is usual in such cases, the claimants prayed for a wide injunction, one that would restrain the defendant from disseminating any material which would infringe copyright. The defendants, as was to be expected, accepted the definition of "service provider" but questioned whether the requirement of actual knowledge had been fulfilled, due to a lack of being served with a notice referred to in this section. Upon a plain reading of the section in question, it is obvious that arguing that service of a notice of the kind referred to is required for actual knowledge, is a very tenuous argument. The judge in *Newzbin* followed this reasoning. Concerning the request for an injunction Kitchen J made three points: firstly, he stated that the terms of the EUCD directive contemplate the grant of an injunction upon the application of rights holders and thus not an injunction to restrain any and all potentially infringing activities; secondly he did not accept the allegation that the defendants had actual knowledge of other persons using *Newzbin* to infringe such other rights, meaning that, at the same time he lacked

³⁷⁹ Ibid,[21-185].

the jurisdiction to grant such an injunction; thirdly given that the rights of all potential other rights holders were completely undefined, granting such an injunction would mean creating an injunction of uncertain scope. For these three reasons an injunction to only “restrain the defendant from infringing the claimants’ copyrights in relation to their repertoire of films” was granted.

More recently in *Twentieth Century Fox Film Corporation & Ors v British Telecommunications Plc*³⁸⁰ (Newzbin2) Arnold J also granted an injunction under s.97A CDPA 1988 against the ISP, British Telecommunications Plc, prohibiting the making accessible of the subject website and service. The court stated that “the exposure of intermediaries to an injunction under Article 8(3) is part of the price which they pay for immunity from claims for damages under Articles 12(1), 13(1) and 14(1) ... the E-Commerce Directive”.³⁸¹ Moreover, Arnold LJ, referencing the interplay mentioned above, noted that “the Court of Justice also held in *L’Oréal v eBay* at [139] that measures under Article 11 of the Enforcement Directive (and hence Article 8(3) of the Information Society Directive) must be fair and proportionate”.³⁸²

c) Election between Damages and Account of Profits

Successful claimants for infringement of copyright are entitled to an enquiry regarding damages, or at their election, an account of profits. It should be noted that an account of profits³⁸³ is an equitable remedy that is inconsistent with damages, also in a chain of defendants. This will be relevant where OSPs are sued along with users. The content provider may however make this election following an inspection of the documents obtained through disclosure.

³⁸⁰ [2011] EWHC 1981 (Ch) (28 July 2011); more to the point [2011] EWHC 2714 (Ch) (26 October 2011).

³⁸¹ Ibid [29].

³⁸² Ibid [30]; Case C-324/09 *L’Oréal SA v eBay International AG* [2011].

³⁸³ Account of profits disgorges any profit.

Flagrancy

Flagrancy will be taken into account³⁸⁴ and includes deliberate and calculated infringement by the defendant to enrich themselves beyond the damages that would normally have to be paid in such an infringement.³⁸⁵

For example, in *Newzbin*, due to the defendant's credibility problem and evidenced objectives in operating the website, the judge identified a deliberate course of conduct. Therefore, it was noted concerning the claimants' request for additional damages under s.97 CDPA 1988, that the court when hearing an enquiry as to damages should have regard to these findings.

Punitive, Aggravated and Exemplary Damages

Concerning punitive damages it was held in *Phonographic Performance Ltd and Reader*³⁸⁶ that an award of additional damages, such as the above referenced flagrancy add-on may contain a punitive element, as long as it is not *solely* for the purposes of punishing the defendant.

It was held in *Rookes v Barnard*³⁸⁷ that exemplary damages may be awarded where the case falls into one of the three categories listed in said case, in particular on a finding of flagrancy. The defendant's pecuniary gain was calculated to exceed compensation payable to the claimant.

In the UK, the definition of aggravated damages is one of damages taking into account injury to the claimant's proper feelings of pride, dignity, humiliation, distrust, insult or pain caused by the circumstances of the defendant's conduct as held in *Nottinghamshire Healthcare National Health Service trust v News Group Newspapers Ltd*.³⁸⁸

³⁸⁴ *Cala Homes (South) Ltd v Alfred McAlpine Homes East Ltd*[1995]FSR818,838.

³⁸⁵ See for example *ZYX Music Ltd v King*[1995]FSR566.

³⁸⁶ *Phonographic Performance Ltd and Reader*,[2005]EWHC416(Ch);[2005]FSR42.

³⁸⁷ *Rookes v Barnard*,[1964]AC1129.

³⁸⁸ *Nottinghamshire Healthcare National Health Service Trust v News Group Newspapers Ltd* [2002]EWHC409;[2002]RPC49,51.

VI. The Digital Economy Act 2010

1) The Importance of being Earnest: Positioning and Questions

The DEA 2010 is quite possibly one of the most controversial pieces of legislation introduced in recent years. This part will examine how the DEA 2010 reflects the industry interests delineated in Part 1 and what its likely effects will be on the ISP community, given that the DEA 2010 by its nature targets the ISP community. In terms of terminology, ISPs are as referenced in Part 1(A)(I) above, a subset of the OSP community, principally engaged in the marketing of access of the internet.

The DEA 2010 introduces not only just new rights and liabilities, but as a tool, erects a broad administrative framework for the enforcement of IPRs which directly comes to bear on the entire internet using population of the UK. This fact is one which stands in stark contrast to targeting individual copyright infringers, so called “end users”.³⁸⁹ It may however be appreciated, somewhat crucially for this thesis, that this strategy also deviates, at least at first glance from that of pursuing ISPs for 3PCL of copyright infringement. Thus how this piece of legislation interacts with such liability is germane to the examination conducted by this thesis in terms of whether it:

- 1) in practice replaces approaches developed in relation to 3PCL; or whether
- 2) being part of a broader strategy, it complements 3PCL, by adding another layer of intermediary liability;
- 3) is open to challenge based on European law; and
- 4) as part of the aforesaid, or independently, imposes extra and perhaps inappropriate liabilities.

³⁸⁹ *Productores de Musica de Espana (Promusicae) v Telefonica de Espana SAU*, C-275/06, [2008] ECR I-271.

The discussion in this part is limited by the fact that the DEA 2010 is a recent piece of legislation and has not been fully implemented. This means that, in particular the discussion in the conclusion to this part will be at a macro-level, also when addressing the above questions.³⁹⁰ Such will highlight how market participants are affected, whether beneficially or otherwise, and the desirability of the legislation for the internet using population in the United Kingdom in broader policy terms.

a) Enactment: Infrastructure and Incentives

The initial announcement in late 2009³⁹¹ followed the publication and presentation of the Digital Britain Report to Parliament, which was prepared by the Department for Business Innovation and Skills as well as the Department for Culture Media and Sport, following a consultation process which included so called “Digital Britain Summits” allegedly aimed at producing “a representative ‘people’s response’ and gather[ing] a set of positive, realistic contributions for the report”.³⁹² In broad terms, the report emphasised the importance of a digital network architecture for Britain’s future competitiveness and that it did so in unwaveringly “fluffy” terms.³⁹³

The Information Service of the House of Commons referred to the accelerated debate on the DEA 2010 in the House of Commons as “pre-election wash up”, whilst confirming that the present government [at the time of writing of the

³⁹⁰ Part2(C)(VII)

³⁹¹ Queen’s Speech, House of Lords, 18 November 2009, 11.30am, Hansard, HL, column 1, <http://www.publications.parliament.uk/pa/ld200910/ldhansrd/text/91118-0001.htm#09111813000012> (accessed on 12 November 2010).

³⁹² Department for Business Innovation and Skills as well as the Department for Culture Media and Sport, Digital Britain Final Report (June 2009), <http://www.official-documents.gov.uk/document/cm76/7650/7650.pdf> (12 November 2010).

³⁹³ Ibid,p26.

official statement] held no plans to repeal any of the Act's provisions,³⁹⁴ contrary to the pre-election statements of the now Deputy Prime Minister, Nick Clegg.³⁹⁵

2) The Previous s.18 (now ss.17-18)

Like the original s.17, s.18 was regarded as being controversial; "preventing access to specified online locations for the prevention of online copyright infringement" was removed in the House of Commons committee stage. The clause was split into ss. 17 and 18 of the Act, namely "power to make provision about injunctions preventing access to locations on the Internet" and "consultation and parliamentary scrutiny". Section 17, is concerned with the formulation of provisions that would restrict or prevent access to, for example, certain websites. It is in this regard admitted that s.17(1) still retains some of its controversial character. The section again permits the Secretary of State to make regulations concerning so-called "blocking injunctions"³⁹⁶ to be followed by the courts in instances where the court is satisfied that a location on the Internet "has been, is being or is likely to be used for or in connection with an activity that infringes copyright."

The aspect of s.17(1) DEA 2010 which is most likely to cause concern for the content using industry is that so-called "blocking injunctions" may be issued by courts upon a finding of the relatively low threshold that a particular location is *likely* to be used *in connection with* copyright infringement. Some commentators are likely to note that "in connection with" is the operative element of the required standard of proof; it is applicable to a wide, perhaps not even causal,

³⁹⁴ G. Danby, Digital Economy Act, Home Affairs Section, 29 June 2010, SN/HA/5616, <http://www.parliament.uk/briefingpapers/commons/lib/research/briefings/snha-05616.pdf> (accessed 12 November 2010) citing HC Deb 21 June c16W: "Mr Watson: To ask the Secretary of State for Culture, Olympics, Media and Sport which provisions of the Digital Economy Act 2010 he expects to include in a legislative proposal for repeal; and if he will make a statement. [3533] Mr Vaizey: There are no plans to repeal any provisions in the Digital Economy Act 2010."

³⁹⁵ N. Clegg quoted in "Repeal the digital economy act -- Nick Clegg", *Guardian Newspaper*, 16 April 2010, <http://www.guardian.co.uk/politics/blog/2010/apr/16/digital-economy-bill-nick-clegg> (June 8, 2010).

³⁹⁶ DEA 2010, S.17(2).

spectrum. Moreover, the standard of mere likelihood is capable of being framed in terms somewhat lower than the lowest standard of proof, namely, “more likely than not”. It is however more likely that the courts will simply read the standard of proof as being the usual “on the preponderance of the evidence” standard i.e. “more likely than not”.

The imposition of a standard of likelihood, goes against the example of the usual determination under the *American Cyanamid* rules, namely that in all cases the court should under normal conditions determine the matter of granting an interlocutory injunction by first asking whether there is a serious issue to be tried i.e. one that is not frivolous or extensions; whether damages might be an adequate remedy; and whom the balance of convenience favours i.e. who will suffer a greater harm if the injunction is or is not granted.³⁹⁷ It may be noted in this regard that there is a parallel to confidential information cases where the courts considered a derogation from the usual standard in favour of a likelihood standard, which was viewed as a stricter standard, and warranted due to the human rights freedom of expression element.³⁹⁸

It must of course in the interest of completeness be mentioned that s.17(3) DEA 2010 requires that the Secretary of State is satisfied with three factors, *inter alia* the proportionality. The effect this provision will have in practice is unclear. It is framed in general terms. This could indicate, not an examination of the adverse effect particular Internet activities are having in specific instances, but rather a consideration of specific and similar activities viewed as a whole. This of course makes it easier for the Secretary of State to be satisfied.

a) The Nature of the Location Being Blocked

Subsections 4 and 5 specify matters which the court must concern itself with in granting a blocking injunction. Subsection 4 deals with the gravity of the alleged infringements and mirrors the above categories in respect of which the Secretary

³⁹⁷ *American Cyanamid v Ethicon*, [1975] AC396.

³⁹⁸ *Cream Holdings Ltd. & Ors v Banerjee & Anor*, [2003] EWCACiv103; [2003] 2 All ER 318.

of State may make regulations, it has in turn three subsections, a-c. The first two subsections that deal with locations either from which, or at which, a substantial amount of material has been or is likely to either be obtained or made available in infringement of copyright. The phrasing of the first two parts of subsection 4 is again noteworthy particularly due to the element of futurity, which widens the scope of such injunctions considerably. The conceivable effect of these new provisions is that a website which looks “*suspicious*”, but which does not infringe copyright may be blocked due to the fact that it is likely to make available copyright infringing material. This could be viewed as being disturbing in itself, without taking into account freedom of speech/expression aspects. The third part of subsection 4 builds on foregoing parts by adding that a blocking injunction may be granted concerning a location which has been, is being or is likely to be used to facilitate access to a location referred to in the first two parts. This section is clearly aimed at sites which themselves do not purport to post copyright infringing material, but rather provide links to websites that do. Some commentators are likely to note that this provision could be viewed as being disproportionate in the sense that even if a particular site were likely to include a link to a website which would in turn be merely likely to make available material which infringes copyright, then both service providers would be blocked in their entirety. Additionally, it may be noted that “*facilitation*” is not defined in the Act.

b) Evidence and Relevant Factors

It is a requirement that the Regulations as formulated by the Secretary of State must include a provision that the court in determining whether to grant an injunction, must take into account evidence presented by both the service provider and the copyright owner as well as representations made by a Minister of the Crown. Moreover, in terms of a check and balance the court is to consider whether granting an injunction would likely have a disproportionate effect on any person’s legitimate interests and the importance of freedom of expression. It could be noted in this regard that the first two points regarding evidence by the parties concerned adds little to the existing framework for the application for an

injunction. The requirement that the court take into account representations by government Ministers is interesting and likely exists to 'guide' the court's interpretation of regulations made pursuant to the provisions in the DEA 2010.

c) Consultation and Parliamentary Scrutiny

In addition to the above s.18 DEA 2010 introduces several provisions aimed at providing further scrutiny and balance concerning regulations made pursuant to s.17 by the Secretary of State. It can, broadly speaking be split into two sections, the first relating to whom the Secretary of State must consult and the second concerning the tabling of proposals of the draft regulations for consultation by Parliament. Whereas neither parts of this section would prevent the Secretary of State from introducing regulations which were deemed to be inappropriate, they do allow for concerns to be taken into account and made public in this regard.

Whether the above checks and balances would prevent websites from being blocked that operate on the borderline of copyright infringement as for example those sampling sound effects or segments of music or remixing such, blogs citing the large extracts of text from newspapers, or even content hosting sites such as YouTube, remains to be seen. It is naturally, as commentators such as Farrand have pointed out, conceivable that even search engines such as Google could be subject to an injunction by linking to infringing content.³⁹⁹

3) The Main Online Copyright Infringement Scheme

Sections 3 - 16 DEA 2010 contain the relevant provisions concerning how ISPs are to act on copyright infringement reported to them by rights holders. In this part, sections 3 - 4 detail what are referenced as "initial obligations" in s.5 of the Act.

³⁹⁹ B. Farrand, *The Digital Economy Act 2010 – A Cause for Celebration, or a Cause for Concern?* EIPR2010,32(10),536-541,540.

These amend the Communications Act 2003 by inserting various new sections, starting with s. 124A, which corresponds to s.3 DEA 2010; s. 4 DEA 2010 inserts s.124B. It is worth examining these two sections first because they form a cohesive block. They are followed by four broad groups of provisions, namely those dealing with the imposition of a code by OFCOM (ss.5-8); important provisions concerning the limitation of internet access (ss.9-10); appeals by subscribers (s.13), and finally, costs in (s.15).

a) Examining the “Initial Obligations”

The “initial obligations” can be split into two categories; the first being the obligation to notify subscribers of reported infringements as detailed in s.3 and the second being the obligation to provide infringement lists to copyright owners as set out in s.4 DEA 2010.

The first obligation to inform subscribers of their alleged infringement of copyright is executed via copyright infringement notifications.⁴⁰⁰ These relay the information provided by the content owners; including descriptions of the infringing content, the IP addresses at the time and the name of the content owner making the report.⁴⁰¹

It is important to note that the section expressly requires ISPs to comply with such reports not only in circumstances where it is suspected that a subscriber has infringed copyright by means of the service in question, but also where a subscriber has allowed another person to use the service and such other person has thereby infringed a content owner’s copyright.⁴⁰² What is undoubtedly envisaged here are situations where, for example, parents provide Internet access to their likely, more tech savvy children, and these commit online acts of infringement. In such circumstances stating that the subscribers themselves are not liable to be notified due to not having taken any infringing action in this regard will be disregarded. Naturally s.124A(1)(b) would also apply to other similarly casual situations such as Internet cafe scenarios. It can at this point be noted that

⁴⁰⁰ DEA 2010, s.124A(9) “notify”: “send a notification to the electronic or postal address held by the internet service provider for the subscriber”.

⁴⁰¹ This is precisely defined in s.124A(6) in terms of what a notification must include and in s.124A(8) in terms of what may be stated if applicable.

⁴⁰² DEA 2010, s.124A(1)(a)-(b).

whilst understandable, from a content provider's point of view, in a certain sense, some commentators have already identified "*a constructive prohibition of unsecured WiFi by the back door, for consumers, corporations and the public sector*".⁴⁰³ Moreover other commentators have argued that this provision will ultimately have the effect of preventing maximum accessibility of Internet services in for example, libraries, airports or other establishments that rely on open access WiFi services. Coincidentally, internet access at these locations was previously deemed part of the Digital Britain strategy, yet such provisions run counter to this stated public policy.

Despite the delineation of when copyright infringement reports may be sent to ISPs in s.124A, the sending of such is also subject to more specific provisions that will be in force under a code of practice as regulated by s.124C or s.124D known as the "initial obligations code". Similarly, it is stated in s.124A(4) that the notification of subscribers is predicated on compliance with said code. It should perhaps also be mentioned that an ISP will have one month to notify subscribers from the day on which the ISP has received the copyright infringement report from the content owner.

It is evident that the purpose behind s.4 DEA 2010 is to inform subscribers that their Internet use can and will be monitored and that rights infringements are not anonymous in certain circumstances. It is hoped by the content providing industry that such letters of notification by the ISPs will end in most cases particular copyright infringements. This will be examined in detail below, since a specific aim of reduction of infringement has been imposed, which if not met, will spur further action on behalf of the Secretary of State. The fact that notices may include items of information such as the ISPs possible subsequent duty to supply infringement lists to copyright owners as well as the subscriber's identity to content owners following a court order and the possibility of subsequent imposition of "technical measures" that may include disconnection should, in many cases fulfil that aim.

Infringement lists

The second obligation, namely the obligation to provide infringement lists to the copyright owners in question is also subject to specific provisions that will be

⁴⁰³ L. Edwards, *Mandy and Me: Some Thoughts on the Digital Economy Bill*, (2009) 6:3 *SCRIPTed* 534, <http://www.law.ed.ac.uk/ahrc/script-ed/vol6-3/editorial.asp>(21 March 2011).

contained in the initial obligations code. Crucially however, the “copyright infringement list” is defined as a list which “sets out, in relation to each relevant subscriber, which of copyright infringement reports made by the owner to the provider relates to the subscriber, but does not enable any subscriber to be identified”.⁴⁰⁴ The copyright owner may apply to a court for an order of disclosure of the copyright infringer’s identity. The basis for such a court order thus would be a “Norwich Pharmacal order”.⁴⁰⁵ Such an order typically requires a respondent to disclose certain documents or information to the applicant.⁴⁰⁶ It is important that the respondent is a party that is involved or connected to a wrongdoing, whether innocently or not, and is unlikely to be a party in potential proceedings. Such an application can be described as standard fare in Intellectual Property litigation, and is thus not out of the ordinary, which is not to detract from it’s gravity.

It has been noted by commentators regarding the infringement lists that the requirement of provision by ISPs of lists of subscribers is slightly confusing. In essence ISPs will be providing information in a slightly modified form that they have already been provided with by the copyright owners in the first place. It has been speculated that this is required due to the fact that some ISPs use “dynamic” IP addresses that are allocated and change upon connection. A content owner, despite being able to identify infringing IP addresses, cannot link these to individual subscriber accounts. The ISPs gather and link IP addresses to individual subscribers. This would allow the copyright owners to seek disclosure based on the evidence in the form of IP addresses and their linked infringement reports.

Commentators such as Farrand have noted that there is a significant risk of so-called “false positives” due to the fact that the most avid infringers of online copyright often operate on a commercial scale.⁴⁰⁷ This means that as part of sophisticated commercial operations they are likely to compromise computer systems; use Virtual Private Networks or IP spoofing in order to conceal their activities and escape prosecution.⁴⁰⁸ This could lead to subscribers that have not

⁴⁰⁴ DEA 2010,s.4; new CA 2003,s.124B(2).

⁴⁰⁵ *Norwich Pharmacal Co. v Commissioners of Customs and Excise*[1974]AC133.

⁴⁰⁶ Part2,ChapterD(V)(3)(b).

⁴⁰⁷ *Farrand*,(n399),536-541,539.

⁴⁰⁸ *Ibid*,539 citing D. Sabbagh,*Digital Economy Act likely to increase number of households targeted for piracy*,*Guardian*,April 12, 2010, available at <http://www.guardian.co.uk/media/2010/apr/12/digital-economy-bill-households-piracy> (June 8, 2010).

perpetrated copyright infringements being targeted, which could expose ISPs to liability for vexatious action.

A review of the Explanatory Notes to the DEA 2010 (“the Notes”), might provide some guidance as to the intentions behind the various sections enacted.⁴⁰⁹ The Notes explaining s. 3 DEA2010, concerning the obligation to notify subscribers of reported infringements, focus mainly on infringers making available for download works that infringe copyright. The notes explain that currently copyright owners are able to go online and *“look for material to which they hold the copyright and identify an authorised sources that material. They can then seek to download a copy of that material and in doing so capture information about the source including the IP address along with a date and time stamp”* the Notes however go on to state that ISPs do not have the ability to combine the IP address as well as the date and time stamp, with the identity of the broadband subscriber.⁴¹⁰ This is used as an explanation for why only ISPs may process notification notices and serve these on the relevant subscribers and also for why later the provision of a subscriber’s IP address is required. ISPs are under a duty to maintain records of copyright infringement notices supplied to them and copyright infringement notices sent out to individual subscribers. This allegedly allows copyright owners to identify the most serious “repeat” infringers. The Notes to the Act explain that *“by allowing copyright owners to target only the most serious repeat infringers, copyright infringement lists provided by ISPs are intended to make legal action a more attractive and effective tool the copyright owners to use in respect of their copyright”*.⁴¹¹ This explanation was tendered as part of the elaboration on s. 4 DEA 2010 concerning the obligation to provide infringement lists to copyright owners.

It will be observed that there may be a mismatch between the explanation offered as to the focus of IP list keeping and notification in s.3 by ISPs, i.e. concerning uploaders and the focus on “serious infringers”, i.e. also down-loaders. The Act is very heavily focused on file-sharing, and that these sort of terminological explanations would not apply in cases such as *Newzbin*, as referenced above.

⁴⁰⁹ Explanatory Notes to the DEA 2010, Department for Culture, Media and Sport and the Department for Business, Innovation and Skills, <http://www.publications.parliament.uk/pa/ld200910/ldbills/001/en/2010001en.pdf> (04 December 2010).

⁴¹⁰ Ibid, [41]

⁴¹¹ Ibid, [45].

i) Imposing an Initial Obligations Code

The approval of the initial obligations code referred to above is regulated by the section following the obligations, namely s.5 DEA 2010. S.124C(3)-(5) specifies conditions that may be included in such a code; whereas s.124C(6)-(13) adds definitive factors. The following sections, 6-8 DEA2010, define the required content and situations where OFCOM itself is obliged to draft a code.

In respect of the code of initial obligations the government has noted in its the Notes to the Act that it hopes that all parties concerned will contribute to the development of an industry code. Given the nature of the process, it is unlikely that consumers will significantly contribute.

It will no doubt be of interest in liability terms for ISPs that according to the Notes, the Government anticipates that any approved code will include a time limit or for copyright owners to submit a copyright infringement report.⁴¹² This might balance the obligation of ISPs to act on copyright infringement reports by issuing notifications to the relevant subscribers, in negotiation terms.⁴¹³

Whereas some commentators have mooted the point that the above initial obligation provisions might not apply to smaller ISPs, the government makes clear that it intends for the obligations to fall on all ISPs, except those that *“are demonstrated to have a very low level of online infringement”*.⁴¹⁴ The government however does explain that the reason for this is that in cost terms it would be disproportionate *“to require an ISP to incur significant costs to counter a problem that does not exist to any significant degree on its network”*.⁴¹⁵ The Government therefore proposed a *“qualifying threshold criteria based on the number of CRI is an ISP receives in a set period of time”* adding that the government anticipates that most small and medium-sized ISPs and, possibly, the mobile networks would fall under the threshold.⁴¹⁶ Such measures would certainly remedy the issues raised above concerning WiFi ISPs.

b) Progress Reports

⁴¹² DEA 2010, s.7; Expl Notes, (n409), [56]

⁴¹³ Explanatory Notes, (n409), [50].

⁴¹⁴ Ibid, [51].

⁴¹⁵ Ibid, [51].

⁴¹⁶ Ibid, [51].

S.8 DEA 2010 inserts S.124F into the Communications Act that 2003, which requires the preparation of reports for the Secretary of State by OFCOM concerning the infringement of copyright by subscribers to Internet access services. Such reports must be provided every 12 months. They are to include a full assessment of; the level of copyright infringement by the use of Internet access services; including descriptions of steps taken by copyright owners to enable subscribers to obtain lawful access to copyrighted works; as well as other steps taken to deter subscribers from infringing copyright such as changing the attitudes of members of the public; assessments of the aforesaid including assessments of the extent to which the copyright owners have utilised the copyright infringement report regime and brought legal action against subscribers.⁴¹⁷

The explanatory notes, again reveal these reports are to help the Secretary of State assess the effectiveness of the obligations on ISPs.

Importantly for this thesis and for ISPs the Notes also stipulate that the reports provide the basis for the Secretary of State to make a decision on whether to impose additional obligations on ISPs.⁴¹⁸ As such, the reports are an important part of the new online infringement regime, and will most likely be closely be read by the content using industry.

c) Possible Obligations to Limit Internet Access

Sections 9-12 DEA 2010 in insert sections into the Communications Act 2003 dealing with the possible imposition of obligations to limit Internet access via ISPs. It is important to remember in this regard that in the framework of the Act this is viewed as a second phase, following the initial obligations and possible litigation. As a result, it is reserved for the Secretary of State to direct OFCOM to assess whether ISPs should take technical measures against certain subscribers, including carrying out a public consultation.

Technical measures may only be taken against “relevant subscribers”, meaning subscribers that have sufficient copyright infringement reports linked so there accounts, thus making them eligible for inclusion in a copyright infringement list. Any proposals for orders under this section are subject to a 60 day period of

⁴¹⁷ DEA 2010,s.8(5), CA 2003,s.124F(8).

⁴¹⁸ Explanatory Notes,(n409),[60].

scrutiny and require Parliamentary approval. Furthermore pursuant to S.12 4J CA 2003, provisions must be made detailing subscriber appeals, which will be dealt with below.

Despite having noted the above restraints, obligations to limit Internet access under the Act can still be termed problematic due to the fact that the definition of “technical measures” under S.124G(3) CA 2003 is open-ended. The section, as is to be expected, includes within the definition of a “technical measure” measures that limit speed or capacity and prevent access to particular material. However, s.124G(3)(c) and (d) CA 2003 state that a technical measure is also one that *suspends or limits* the service provided to a subscriber in *another way*. The Act does not define suspension in terms of length. The Act also does not define or give an example of what limitation in *another way* might be. Whilst it is clear that the content providing i.e. copyright owning industry will be in favour of such measures, it is likely that the content using and in particular the ISP industry will view these undefined terms and possible obligations with scepticism since they not only do not clearly delineate an ISP’s obligations that could conceivably also give rise to action by subscribers under their subscription agreement in certain circumstances.

d) Independent Tribunals

Section 13 DEA 2010 introduces new section 124K CA 2003, which details the mechanism for subscriber appeals.

The initial obligations code and any future technical obligations code must provide a route for appeals, setting out the grounds. S.124K(5) logically explains that a subscriber appeal is to succeed lacking the requisite proof by an ISP, in relation to each relevant copyright infringing report, that an infringement of copyright has been correctly linked to a subscriber’s account. Interestingly however, s. 124K(6) also stipulates that a subscriber’s appeal must also succeed where a subscriber shows that the infringement that was proven, was in fact not carried out by the relevant subscriber, and that the relevant subscriber had taken reasonable steps to prevent such infringement. This runs contrary on one reading, to the notification provisions mentioned above, which provide for notification, logging and possible future action whether technical or legal, irrespective of whether it is the actual

subscriber that commits acts of infringement or a third-party using the subscriber's account as a proxy.

e) Enforcement of ISP Obligations

The enforcement obligations in section 14 DEA 2010 which introduces section 124L CA 2003 apply in respect of a contravention of the initial or technical obligations by ISPs or in respect of contraventions by content owners in assisting OFCOM. The maximum penalty has been fixed at £250,000 and may be imposed by OFCOM if appropriate and proportionate, taking into account any representations made to OFCOM or steps taken for remedying the consequences of the contraventions.

In terms of assessing the liability of ISPs this "enforcement obligation" could be termed a codification of secondary liability, transforming said into primary liability. Thus, relevant ISPs will in particular take note of section 124L(4) CA 2003 concerning the power of the Secretary of State to amend this section substitute a different maximum penalty, subject to the approval by Parliament. Although the substitution of a new maximum penalty is relatively unlikely given the market dynamic. What is meant here is the fact that the current maximum penalty of £250,000 applies per contravention, in turn meaning that in terms of the mathematical likelihood, it is certain that there will be several cases inflicting the possibility of such a maximum penalty which could accumulate to exhibit severe punitive characteristics. The level of this penalty could be regarded as being excessive since it must face the test of a global appreciation of the likelihood of contravention and, indeed imposition.

In addition to the above, the preceding rules concerning 3PCL for copyright infringement remain active, so that the new regime simply imposes another, albeit codified, layer of regulation, liability and risk in this regard.

f) ISP Liability Concerning Costs

As the Explanatory Notes highlight, the initial obligations and any later technical obligations will naturally give rise to enforcement costs. What is also quite apparent is that ISPs have no interest in contributing towards these costs. These costs include not only processing copyright infringement reports received, issuing subscriber notifications, or the imposition of technical measures; but of course

also OFCOM's costs in approving, preparing and regulating both sets of codes including enforcing them, which involves the preparation of annual as well as extraordinary reports.

At the time of writing, the government has responded to the consultation proceedings initiated and stipulated that "the notification costs of ISPs and OFCOM as a regulator are to be split 75:25 between copyright owners and ISPs on the basis of the costs of an ISP which is an "efficient operator" as verified by OFCOM. The regulator costs also include the costs related to the appeals system."⁴¹⁹ At present, there would be no fee for subscribers to appeal against notification letters. However this is subject to change. This highlights the uncertainty of the consequences of this regime as well as an incomplete understanding of how many appeals there might be.

The Government's Communication on the Response to the Consultation for Online Infringement unsurprisingly states that copyright owners also wanted an inclusion of their detection costs, which was ultimately rejected on the basis that this was "largely "business as usual" costs that copyright owners would face is part of protecting their own copyright material".⁴²⁰ The Response also cites the decision to split the costs in this manner as being driven by a desire to provide incentives ISPs to ensure the adoption of the most effective and efficient processes in relation to copyright infringement reports and issuing notifications.

Regarding the fees to access the appeal system, it is revealed that the government considered imposing a modest fee that would be refundable if the appellant were to be successful.⁴²¹ The aim of this would have been to discourage frivolous appeals.

4) Future Development

⁴¹⁹ HM Government Response, Online Infringement of Copyright (Initial Obligations) Cost Sharing, [http://www.bis.gov.uk/assets/biscore/business-sectors/docs/o/10-1131-online-copyright-infringement-government-response\(4December2010\)](http://www.bis.gov.uk/assets/biscore/business-sectors/docs/o/10-1131-online-copyright-infringement-government-response(4December2010)).

⁴²⁰ Ibid, Cost Apportionment.

⁴²¹ Ibid, Fees to Access the Appeals System.

It is arguable that the future of the DEA 2010 is not certain, at least in its present form and specifically concerning the Online Infringements part. This is the case for several reasons.

a) Draft Initial Obligations Code

OFCOM published a draft Initial Obligation code in May 2010. The points contained in this code which are worth adding at this stage are that OFCOM has proposed specific ISPs which should be governed by the code and has also delineated a threshold for including subscribers on a copyright infringers list. OFCOM has set out a three stage notification process for informing subscribers of infringements through notifications and has proposed that subscribers following receipt of a third notification, could be included on a copyright infringement list. Said list may be requested by a copyright owner which has made at least one report against that subscriber. As highlighted above, OFCOM has followed the government's guidance in exempting small and medium-sized ISPs from the scope of the initial obligations code. OFCOM has in this regard proposed a definition of "small and medium-sized ISPs"; being ISPs with no more than 400,000 subscribers. The Initial Obligations code will, at first, only cover "fixed ISPs" and not ISPs on mobile networks.⁴²²

b) Judicial Review

It is highly relevant that two ISPs filed an application in 2010 for judicial review shortly after the enactment of the DEA 2010. The Administrative Division of the High Court in April 2011 ruled in favour of the government, except on a technical point concerning sharing OFCOM's costs.⁴²³ This illustrates the fast moving nature of the subject matter, which means that a detailed analysis of the application has been removed, the issues now being largely irrelevant. The applicants had argued that the contested provisions;

a) constitute a technical regulation and/or a rule on services within the meaning of the Technical Standards Directive, as such they should be notified to the European Commission but were not, as a result the contested provisions are unenforceable;

⁴²² Draft Initial Obligations Code, Executive Summary, OFCOM, <http://stakeholders.ofcom.org.uk/binaries/consultations/copyright-infringement/summary/condoc.pdf> (accessed on 4 December 2010), 2, see 6.4.

⁴²³ *British Telecommunications Plc & Anor, R (on the application of) v The Secretary of State for Business, Innovation and Skills* [2011] EWHC1021.

b) are incompatible with the E-Commerce Directive;

c) are incompatible with the Privacy and Electronic Communications Directive and with the requirement that the measures in issue should be proportionate.

The relief sought by the applicants was, logically, a quashing order in respect of s.3-18 DEA 2010, or in the alternative, declaratory relief to the effect that the contested provisions were unlawful.

c) United Kingdom IP Review

The recent IP review concluded in May 2011, aimed to reduce “the barriers to new Internet-based business models, including the costs of obtaining permissions on existing rights holders; the cost and complexity of enforcing intellectual property rights within the UK and internationally; the attraction between IP and competition framework; the cost and complexity to SMEs of accessing services to help them protect and exploit their IP.”⁴²⁴

The review did not critically analyse the DEA 2010 in detail. It however repeatedly demanded monitoring of the measures scheme for potential readjustment.⁴²⁵ A lack of research in this area is identified.⁴²⁶

5) Conclusion: Digital Economy Act 2010

It was asked at the beginning of this section how the DEA 2010 interacts with 3PCL in the traditional sense. The above has made clear that whereas the DEA 2010 has not yet been implemented in a way which would permit an analysis of the actual effects on ISPs. The Act will most certainly introduce additional models and legal risks, as noted above regarding the finding of non-compliance with the initial

⁴²⁴ Independent review of IP and Growth, IPO, <http://www.ipo.gov.uk/ipreview/ipreview-about.htm>.

⁴²⁵ I.Hargreaves, Digital Opportunity, Review of Intellectual Property and Growth, 6, 81 <http://www.ipo.gov.uk/ipreview-finalreport.pdf> (26 May 2011).

⁴²⁶ Ibid., 81.

obligations or possible technical measures code. As such, the second question posed above can be answered in the affirmative, namely that the DEA 2010 does appear to form part of a broader strategy, and from a content providers/copyright owner's perspective compliments 3PCL, by adding another layer of intermediary liability. Thirdly, the 'negative' judicial review outcome was discussed above and the matter rests for now.

Whereas it is understandable that the content providing/copyright holding industry wishes to continue its strategy of simultaneously *preventing* user Internet driven primary copyright infringement and *pursuing* such infringement, it is arguable that in terms of public policy the DEA 2010 is entirely undesirable. The measures taken impose a costly and strict framework of regulation and liability for both subscribers and ISPs. This has human rights and privacy implications, the benefit of which are questionable. It has not been proven conclusively in economic terms that the prevention of the kind of copyright infringements the Act is aimed at in any way fosters balance sheet growth.⁴²⁷ What is however clear is that policing ISP subscribers, supporting OFCOM and lubricating an appeals system for ISP subscribers is, in pecuniary terms, necessary.

Finally, the provisions relating to "persuading" relevant subscribers not to infringe copyright will most likely mainly be made use of by larger undertakings which are able, for technical and financial reasons, to carry out policing for the purposes of filing copyright infringement reports with ISPs. It might thus be argued that, in simplified terms that the entire framework has been put in place to support a few major market participants, in what can be termed an oligopoly. Yet industry commentators assert the need for the DEA 2010, in terms of safeguarding revenue and culture.⁴²⁸

Despite being beyond the remit of this thesis to analyse this issue in depth, parties acting on the DEA 2010 should be aware that subscribers may take action for breach of contract or indeed inducing such. It is accepted that this is tempered by the legitimising nature of the DEA 2010 however.⁴²⁹

⁴²⁷ Part1,ChapterB(A)(II)(Oberholzer).

⁴²⁸ F. Koempel,Legislative Comment: Digital Economy Bill,CTLR2010,16(2),39-43,39.

⁴²⁹ Clerk & Lindsell,(n283),[24-03]; Lumley v Guye,(1853)2E.&B.216.

VII. Conclusion

1) Third-Party Liability for Copyright Infringement

As has been explained above, 3PCL in the context of this thesis is, in dogmatic terms, found in the realm of primary liability for copyright infringement.⁴³⁰ A contextual criticism could be levelled at this, at first glance, seemingly illogical state of affairs. Yet despite such observations, as by the Whitford Committee,⁴³¹ it must be conceded that there is at least some merit to viewing tortious theories of 3PCL as being a common law appendage to acts of direct copyright infringement. This recognises the current inherent nature and procedural arrangement of this type of liability.

A Case Law Lament

In order to explain the instant lament on the at times seemingly *ad hoc* approach in this case law driven area, the different theories of torts examined above may, in opening the argument, be briefly referenced. The ‘general’ category of joint and several torts despite historically being focused on the relationship between the parties, such as those mentioned above, as well as the outcome of their actions, allows for the imposition of joint tortfeasorship where concerted action can be identified - but which stops short of including mere facilitation as a subset.

Facilitation and Authorisation

Two things may be noted in this regard. Firstly and most importantly, the relationship between the value based exclusion of ‘facilitation’ in theories of common design and ‘authorisation’ is not an easy one. In particular given the judgement in *Newzbin*, which of course built on *Amstrad*, there is a significant danger and likelihood that UK theories of authorisation of copyright infringement have strayed into the realm of mere facilitation, despite the explicit denial of this fact.⁴³² This can be said to be the case because the expansive definition of “grant or purported grant to do the relevant act” lends itself to such an interpretation and especially because in *Newzbin* the judge further expanded this test of liability by

⁴³⁰ Part2,ChapterB(I)&D(I).

⁴³¹ Whitford Committee,(n52),[749].

⁴³² *Newzbin*,(n140),[90].

allowing for the inclusion of ‘relevant circumstances’, which are not mutually exclusive and some of which could be said to take significant steps towards potentially reducing the test to one of facilitation by justifying the imposition of authorisation-based liability simply by providing the means to infringe.⁴³³

Ratification & Inducement in Authorisation

Secondly, despite the fact that vicarious liability under UK law cannot be transposed into the realm of intellectual property due to the missing element of the usually requisite relationship, the current theory of authorisation does bear some, even if reverse, semblance to the act of ratification, which has been defined as “in effect, *subsequent* authorisation” by commentators.⁴³⁴ Despite the core construct of authorisation dictating the prior availability of a grant or purported grant to do the act complained of, if it may be asked whether the current definition does not in *effect*, or perhaps should not, in fact include such a concept. It must after all be noted that despite the judge in *Newzbin* initially seeming to distinguish earlier definitions as in *Falcon v. Famous Players Film Company* of “sanctioning, approving and countenancing” particular actions, these three words were in fact included in the final determination of liability.⁴³⁵ There thus seems to be a conflict between the definition of granting or purporting to possess the authority to grant the required permission to do such an act, which could be summarised as being similar to inducement, and the second strand of *de facto* ratification. As has been noted above, it is again strongly suggested that utilising the definition ‘grant or purported grant to do the act complained of’ or a close variation, is highly problematic since it is entirely doubtful whether in many cases the primary infringer would have perceived the intermediary’s actions as such, and perhaps also whether the intermediary’s actions in relation to the infringement can be styled as such objectively. The applicability of this observation naturally depends on the specific facts of the case, however in circumstances similar to those in *Newzbin*, where both the primary infringer and intermediary in effect colluded to commit copyright infringement, there can be no doubt that the parties were aware that there was no legitimate authorisation, nor could there have been. It therefore follows that this particular inducement-like definition of authorisation

⁴³³ Ibid.

⁴³⁴ Clerk & Lindsell,(n283),[6-02].

⁴³⁵ *Falcon*,(n299),499;*Newzbin*,(n140),[102].

and must not be preferred to the previous ratification-like definition, nor is it improved when acting in concert with the previous definition.

Fluid Definitions – A Common Design?

The above definitional criticisms of 3PCL expose what could be stated to be the main weakness in this area of law in the United Kingdom. The law seems to be relatively uncertain in defining crucial terms for intermediaries. This is not only the case concerning authorisation, but perhaps more so concerning common design and procurement. Despite this second category of 3PCL being easier to define and more certain than authorisation, it has been noted above that concerning common design, judges are equally at ease with using phrases such as ‘concerted action’, ‘tacit agreement’ or ‘combining to secure the doing of acts which in event proved to be infringements’.⁴³⁶ Procurement can equally be labelled ‘inducement’, ‘incitement’ or ‘persuasion’.⁴³⁷ Moreover, both common design and procurement, with the blessing of even the most senior of judges, as in for example *Amstrad*, are not shy of each other – yielding what can be termed a partnership which may further obfuscate industry observers. These definitions present judges with unacceptable leeway and parties with an unacceptable lack of legal certainty – impacting negatively on industry risk assessments even whether carried out by legal representatives in- or out-house, which is compounded by the fact specific nature of intermediary liability. This is the case even taking into account the fluid and ever changing nature of the electronic medium in question, which understandably must leave some scope for legal adaptation. This state of affairs can also be said to raise questions of a constitutional nature,⁴³⁸ even accounting for Lord Devlin’s model of judicial activism as opposed to dynamism,⁴³⁹ it should perhaps be for the legislature to impose adequately flexible yet robust terminological borders for 3PCL in the UK. Without wishing to overstretch Lord Devlin’s model, by applying it all too firmly to the distant realm of intellectual

⁴³⁶ *Unilever plc v Gillette (UK) Ltd*, [1989]R.P.C.583,608.

⁴³⁷ *Amstrad*, (n4), 1058.

⁴³⁸ The basic principle of separation of powers. See Charles de Secondat, Baron de Montesquieu, *The Spirit of Laws*, (Translated, Thomas Nugent, revised by J. V. Prichard, based on an public domain edition, published 1914, G. Bell & Sons, Ltd., London), <http://www.constitution.org/cm/sol.txt> (20February2011).

⁴³⁹ Catherine Elliott & Frances Quinn, *English Legal System*, (Longman; Pearson, 11th Ed., 2010) 32, citing Lord Devlin’s 1979 arguments; See Lord Devlin, ‘*Judges and Lawmakers*’ (1976)39MLR1.

property law, some commentators may note that the United Kingdom is presently still in a state of division let alone acceptance or consensus on this issue. Therefore, judicial formulations taking the form of dynamism could endanger judges' reputations for independence and impartiality.⁴⁴⁰ Yet it is admitted that the main concern in this regard is rather with the constitutional role of the judiciary and what it is not – namely the legislature. Whereas to counter this argument some commentators could observe that these are but commonplace concepts of liability, stemming from tort law and should thus not cause great concern. It would again be submitted that whereas this might be true in principle, given that their application in this area of the law is at best uncertain and at times confusing, combined with the ever increasing importance of intermediaries online both in their own right and for the content providing industry, as recognised by legislation both European and domestic, this makes a *prima facie* case for a fundamental revision of this area of the law.

Quo Vadis 3PCL?

In view of the above it is proposed that a government consultation process is commenced with a view to providing a legislative framework and definitions to replace the current common law theories. In doing so, the above concerns could be adequately addressed by firstly, providing more precise definitions of applicable tort theories and secondly, tailoring said definitions to a possible subsequent statutory regime which could either operate on a standalone basis, in the CDPA 1988 or in fact be complementary to the DEA 2010. Given Commission concerns that current legislative and non-legislative instruments are not powerful enough to combat online infringement of intellectual property rights, it would also be in line with the European context to engender such an undertaking.⁴⁴¹ Amending the CDPA 1988 section on secondary liability, as defined above, could be a logical path.

In order to provide the valid proposals for legislation, one of the most important copyright jurisdictions in terms of actions filed and damages sought, namely the US, will be examined in the next Part. This thesis will in this regard strive to analyse what can be learned from case law on 3PCL in the US.

⁴⁴⁰ See D. Kairys, *The Politics of Law: A progressive Critique* (New York: Basic Books, 1998).

⁴⁴¹ Commission report on Enforcement Directive, COM(2010)779 final, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2010:1589:FIN:EN:PDF> (02 February 2011).

2) The Interplay between 3PCL and the DEA 2010

Lastly, whereas the above section on the DEA 2010 contains its own intrinsic analysis,⁴⁴² it is worth placing this into context with the aforementioned conclusions and preliminary proposals. This is difficult to do given that most of the provisions of the Act are not yet fully in force and that there is no data on the effects such would be having. The DEA 2010 addresses only a section of the OSP spectrum this thesis deals with. The consumer - ISP relationship being targeted is obviously a subset of the consumer - OSP/ISSP relationship and because the DEA 2010 is primarily/initially targeting P2P file sharing, which again represents a subcategory in the broader online copyright infringement context. The interaction between the DEA 2010 and 3PCL in the UK from a non-stakeholder perspective as a whole is minimal due to the fact that it was unlikely from the outset that requisite ISPs, meaning the common mass-market non-wireless Internet Access Providers covered by the Act, would be subject to such theories due to the nature of their activities.

This is however *not* to say that a) the DEA 2010 would not affect ISPs legal standing in situations where they would for one exotic reason or another be brought into the scope of 3PCL, and b) the Act does not itself create additional intermediary liability for those ISPs concerned. The unlikely hypothetical scenario of situations raising the application of 3PCL theories coupled with the actions of ISPs in pursuit of DEA 2010 initial obligations compliance is an area of indeterminate interaction, yet also one in which the following careful observations can be made. It is difficult to see how the actions of an ISP in compliance with DEA 2010 provisions could not *limit* the applicability of 3PCL theories namely authorisation, common design and procurement. Concerning authorisation, the ISP in question will likely be encouraged to issue cease and desist letters to the individual infringers, once it has done so it has conclusively proven that it does not authorise such actions – upon a narrow definition of authorisation (grant or purported grant...); yet arguably less so where the preferred definition would be to ‘sanction, approve or countenance’ i.e. ratify, since here the sincerity of the ISP would arguably be more directly

⁴⁴² Part2,ChapterD(VI)(6).

relevant. The categories of common design and procurement are less straightforward in this regard. It is conceivable that even where an ISP were to send out cease and desist letters, the ISP could still, depending on the facts, part-take in a common design, where such letters are found to be purely cosmetic warnings in light of other encouragement. Naturally, this would not detract from any available defences.

As has been noted above, the DEA 2010 imposes new duties on ISPs and as such, additional intermediary liability for the ISPs concerned. The ISP liability intrinsic to the Act is, as identified above, limited to a failure to comply with any initial or technical obligations, the maximum penalty being fixed at £250,000. It is important to note in this regard that it remains unclear whether the maximum penalty applies per ISP during a certain time frame or whether it applies per contravention or infringer, and thus whether several maximum penalties may aggregate. Any aggregation would undoubtedly be excessive, and in terms of future negotiation strategy and a working business environment between content providers and content users, does not afford a harmonious and level playing field. In business terms this could be said to be a mistake, since it is likely that such measures would not stand but would further aid the OSP industry in lobbying representatives for additional protection.

PART 3 – UNITED STATES OF AMERICA

A. The System of Copyright Protection

This Part examines US copyright law and in particular 3PCL, similarly to Part 2, taking into account commercial and political considerations as well as technological facets, to aid in such an examination. It also immediately concludes and compares corresponding Chapters. 3PCL is mainly intrinsically concluded in this Part, but separately compared to the UK with proposals in Part 4. Throughout, a constructive, logical approach is taken in the following chapters, broadly speaking; first exploring the state versus federal interaction then delineating categories of works, the rights pertaining to them as well as relevant defences and remedies.

This chapter will examine state/federal interaction, the Copyright Acts, categories of works and conclude and compare regarding the UK.

I. Statutory Regime

The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and discoveries.

Section 8, Article I, US Constitution (the Constitution), above, is how the so-called Founding Fathers⁴⁴³ of the United States of America (US) framed and justified Congress's power to enact laws concerning copyright and patents.⁴⁴⁴ It is both a source of and a limitation on Congress's power to legislate in this regard, as will be

⁴⁴³ The political leaders at the time that contributed to the formulation of the Constitution. See R.B. Morris, *Seven Who Shaped Our Destiny: The Founding Fathers as Revolutionaries* (Harper & Row, NY, 1973).

⁴⁴⁴ Generally the main, but sometimes competing, source of power of Congress to enact laws is the "Commerce Clause" in US Constitution, Article I, Section 8, Clause 3.

seen below. US copyright law, prior to the framing of the Constitution, originated from UK censorship laws of the 16th century⁴⁴⁵ and later most notably from the Statute of Anne.

1) The Copyright Acts

a) The Copyright Act 1909

The earliest influential and noteworthy US Act dates back to 1909, it was superseded by the 1976 Act, which for the most part took effect on January 1, 1978. Only with the CA 1976 did the US receive truly federal copyright. The CA 1909 still governs aspects of transactions between 1909 and 1978, and may thus have bearing on litigation today.⁴⁴⁶

b) The Copyright Act 1976

i) Federal Pre-emption: The Supremacy Clause

For the most part, the CA 1976 abolished common-law copyright and created a federal copyright.⁴⁴⁷ However, several cases prior to the 1976 Act declared state anti-copying laws as pre-empted due to their incompatibility with federal copyright law. One such reason was the argued incompatibility with the Supremacy Clause of the Constitution, Article VI, Clause 2, which as its name implies, ensures the supremacy of the Constitution.

⁴⁴⁵ Publishing Monopoly for the Stationer's Company in 1557: Stationers' Charter (1557), *Primary Sources on Copyright (1450-1900)*, eds L. Bently & M. Kretschmer, www.copyrighthistory.org (accessed on 31 October 2010). For US commentary see L.R. Patterson, *Copyright in Historical Perspective* (Vanderbilt University Press, Nashville 1968).

⁴⁴⁶ An often cited example would be whether a work complied with the formalities for publication prior to 1978; for an example of transactions governed by the 1909 Act see *Estate of Martin Luther King Jr., Inc. v. C.B.S., Inc.*, 194F.3d 1211 (11th Cir. 1999).

⁴⁴⁷ See 2(c) below, note e.g. *Capitol Records, Inc. v. Naxos of America, Inc.* 372F.3d 471 (2nd Cir. 2004).

Given the federal nature of the US, the overriding federal theme of the Supremacy Clause is mirrored in the Privileges or Immunities Clause in Amendment XIV, Section 1, Clause 2:

No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the US.

As early as in 1859 the US Supreme Court in *Ableman v. Booth*,⁴⁴⁸ citing the Supremacy Clause, determined that any contradiction of the decisions of federal courts, by state courts, would be overturned. More recently, the US Supreme Court has expanded its jurisprudence in this area and thereby also the remit of the Supremacy Clause; in *Crosby v. National Foreign Trade Council*,⁴⁴⁹ “Even without an express pre-emption provision, state law must yield to a congressional Act if Congress intends to occupy the field” citing *California v. ARC America Corp.*,⁴⁵⁰ “or to the extent of any conflict with a federal statute” citing *Hines v. Davidowitz*.⁴⁵¹

i) Federal Pre-emption: Section 301, Copyright Act 1976

Having taken note of cases concerning federal pre-emption in the area of patent and copyright, Congress passed s.301(a) CA 1976, which subsumed all legal and equitable rights equivalent to the protection afforded by s.106 to subject matter in s.102-103, whether arising by common, or State law.

The section would be entirely absolute, were it not in fact tempered by s.301(b), which includes provisions that State rights and remedies are not to be annulled or limited should they relate to;

(1) subject matter falling outside section 102 and 103, including *unfixed works*; or

(2) the rights afforded by state law that are *not equivalent* to the rights accorded by section 106.

⁴⁴⁸ *Ableman v. Booth*, 62 U.S. 506 (1859).

⁴⁴⁹ *Crosby v. National Foreign Trade Council*, 530 U.S. 363 (2000).

⁴⁵⁰ *California v. ARC America Corp.*, 490 U.S. 93, 100.

⁴⁵¹ *Hines v. Davidowitz*, 312 U.S. 52, 66-67, see also *Compco Corp. V. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) in particular 237 citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

It is clear that the first category allows States to legislate against unauthorised copying of, for example, lectures by notation or tape recording, or any other “live” form of content or performance thereof.⁴⁵²

The second category of rights afforded by State law which are not equivalent to the rights accorded by s.106, has sprung what is referred to as the “extra element” test for non-pre-emption. This test developed due to the fact that an earlier version of the copyright revision bill itemised non-pre-empted state causes of action, which is currently not the case with s.301.⁴⁵³ Commentators have observed that “there is good reason to believe that the deletion from of the list⁴⁵⁴ from the bill was not intended as repudiation”.⁴⁵⁵

ii) *Particular Relevance to OSPs*

The area in which this issue becomes particularly relevant to this thesis is that concerning the treatment of infringement, which most often concerns primary infringers but is thus inherently also of interest to OSPs, given the nature of 3PCL. OSPs, but also the content producing industry, are arguably more certain of the scope and remit of federal provisions, both current and future, than they are of State legislation in this area. Some might thus be concerned with preventing the applicability of State laws.

As will be seen from the above, this may be done via s.301 or a wider theory of pre-emption. Such a wider theory would include the above discussed delineation of federal policies implied by the CA. For example, in *Foley v. Luster*,⁴⁵⁶ a case concerning Florida’s law of indemnification and the interplay with joint-liability for copyright infringement, the Court of Appeals framed the question as being whether provisions in the CA would be nullified and whether “state law stands as an obstacle to the accomplishment and execution of the full purposes and

⁴⁵² Note CA 1994 s.1101 but also the exclusions in s.102(b) generally.

⁴⁵³ H.R.Rep.1976,131–32.

⁴⁵⁴ H.R.Rep.1976,131–32 see also *Harper&Row, Harper & Row Publishers Inc. v. Nation Enters.*, 723F.2d195,(2nd Cir.1983)rev’d, 471U.S.539(1985),200

⁴⁵⁵ Gorman R, *Copyright Law*, 2nd Ed., (FJC, DC, 2006),191.

⁴⁵⁶ *Foley v. Luster*,249F.3d1281(11th Cir.2001).

objectives of Congress”⁴⁵⁷, in this case however, Florida common-law principles of indemnification were upheld. Commentators have noted that “some courts are more willing than others to effect “accommodation” of federal and state laws, and thus to deny that the state law is pre-empted.”⁴⁵⁸

2) A Compact Taxonomy of Works in the United States

In the US works “works of authorship” are substantiated in eight overlapping categories and are explicitly enumerated in section 102(a) CA 1976.⁴⁵⁹ For protection to be afforded, the section requires, arguably needlessly for some of the categories,⁴⁶⁰ that works be fixed, as explained below.

It is also interesting to note that s.102(b) contains a stipulation that copyright protection shall not extend across the idea/expression dichotomy divide.

Titles

There are certain categories of subject matter that are excluded from protection, such as titles to works. This position may be contrasted with that in the foregoing Part, in particular the position after *Infopaq* and the application of the requisite “intellectual creation of the author” standard in *Meltwater*, where it was held that titles of newspaper articles may attract protection either individually or as part of the works which they relate to. The reason why titles, or similarly, slogans⁴⁶¹ have been refused copyright protection in the US is that, despite consisting of words or symbols, thus residing within the realm of s.102(a), potentially attracting considerable goodwill, they represent a *de minimis* manifestation of the requisite *esprit de droit d’auteur*. This is also the official policy of the Copyright Office, which

⁴⁵⁷ *Ibid*, [23] citing *Pacific Gas and Elec. Co. v. State Energy Res. Conservation and Dev. Comm’n*, 461 U.S. 190, 204, 103 S.Ct. 1713, 1722, (1983).

⁴⁵⁸ Gorman, (n455), 194. Yet, note *Garcia v. Vanguard Car Rental USA, Inc.*, 540 F.3d 1242 (11th Cir. 2008).

⁴⁵⁹ Intention see H.R. Rep., 1976, 51. Contrast with 17 USC para. 4 (1909 Act), see *Goldstein v. California* 412 U.S. 546 (1973), 561 but also *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657, 660 (2nd Cir. 1955).

⁴⁶⁰ E.g. sound recordings.

⁴⁶¹ *Matthews v. Freedman*, 157 F.3d 25 (1st Cir. 1998).

groups titles, with, among other things, phrases and trademarks in the category of unprotectable subject matter.⁴⁶² It will refuse registration for such.⁴⁶³

What the Categories Mean/Meant

Despite the 8 non-exhaustive categories of the 1976 Act represented a shift away from the ostensibly open ended phrase “all the writings of an author”, the 1909 Act in s.5 specified 14 categories for registration which the courts themselves, as observed by commentators, treated as definitive.⁴⁶⁴ This imposed rigidity, is not exhibited by the current regime. Moreover, one may observe that the categories related more to material objects than actual works, such as ‘books including composite and encyclopaedic works’. The current Act separates these two items, recognising that works falling into one category may be embodied in several different types of medium.

The current categories are overlapping, in some respects unlike those in the preceding chapter in the UK.⁴⁶⁵ Most notably, a literary work may also be a dramatic works and lyrics may either be literary or musical works. This is to a certain extent institutionalised by the official categories used by the Register of Copyright, which further groups works into the following four categories; TX (non-dramatic literary works); PA (performing arts); VA (visual arts) and SR (sound recordings).

Given that a discussion of the relevant protectable categories would not be complete with their specific definitions, these must briefly be examined. This is important, as in Part 2, in the sense that the protectable subject matter and rights accruing must be precisely delineated before different theories of infringement can be examined.

a) Literary Works

⁴⁶² Copyright Office Circular No. 34, Copyright Protection Not Available for Names Titles or Short Phrases, Reviewed 11/2010, www.copyright.gov/circs/circ34.pdf (25March2011).

⁴⁶³ The reason for and legality of registration provisions for copyright in the US will be looked at below.

⁴⁶⁴ M.A. Leaffer, *Understanding Copyright Law* (4th Ed. Matthew Bender&Company, Inc.; LexisNexis 2005) 102, citing *Capitol Records*, (n452), 660.

⁴⁶⁵ Part2, ChapterA(I)(3),(6).

These are defined in the Act in s.101 CA 1976 in inclusive terms, i.e. what they are not. It will be particularly relevant but, also obvious, that they are not audiovisual works. They are those written in words or symbols of any kind. Like in Part 2, “literary” does relate to any subjective adjudication of merit.⁴⁶⁶ It would be remiss to omit to mention, but out of place to analyse in depth, the fact that under the CA 1976 the relationship between the protection of software and the category of literary works is not a straightforward one.⁴⁶⁷

b) Musical Works

Musical works are curiously listed in s.102(a) as a category, but not defined in s.101 CA 1976. Unlike the corresponding category under the CDPA as mentioned in Part 1, in the US “musical works” *include* the accompanying words. The relevant legislative report merely states in this regard that “musical works” have fairly settled meanings.

c) Sound Recordings

Concerning ‘sound recordings’ in the US it is necessary to distinguish between pre- and post-1972 sound recordings. Prior to the Sound Recording Act 1971 (SRA), this particular subject matter was not protected by the CA 1909. Said Act harmonised protection across the US. The content producing industry at the time was dealing with the impact of tape technology, which the various, and at times inconsistent, state common law rules were inadequate for. The measures in the SRA 1971 were adopted in by the CA 1976, which protected sound recordings fixed after 1972. As

⁴⁶⁶ Part2,ChapterA(I)(3).

⁴⁶⁷ On whether the object code of software can be protected by copyright and ROM (utilitarian) programs see *Williams Elec., Inc. v. Artic Int’l, Inc.* 685F.2d870especially876(3rdCir.1982) and *Stern Elec., Inc. v Kaufman*, 669F.2d852,855-56(2ndCir.1982). On whether operating systems qualify for copyright protection see *Apple Computers, Inc. v. Franklin Computer Corp.*, 714F.2d1240(3rdCir.1983) *cert dismissed* 464U.S.1033(1984).

a result of the aforementioned pre-1972 sound recordings are still subject to state law, as expressly stipulated in s.301(c) CA 1976, until February 15, 2047.⁴⁶⁸

‘Sound recordings’, are defined in s.101 CA 1976 and exclude sounds accompanying films or other audiovisual works. The definition is technologically neutral in the sense that it includes any material medium. These recordings may incorporate literary, musical or dramatic works but these will be distinct.⁴⁶⁹

d) Dramatic Works

The category of ‘dramatic works’ despite being listed in s.102(a) CA 1976 is left undefined, apart from the explicit inclusion of accompanying music, due to the general perception that most people will understand what is meant in this category. Despite the intended lack of legislative definition, the Copyright Office has, in old internal staff use documents, defined a dramatic work as ‘one that portrays a story by means of dialogue or acting and is intended to be performed. It gives directions for performance or actually represents all or a substantial portion of the action as actually occurring, rather than merely being narrated or described.’⁴⁷⁰ The classification of a work as dramatic rather than a non-dramatic literary or musical work has implications as to its protection which is beyond the scope of this thesis.⁴⁷¹

e) Motion Pictures and Audiovisual Works

Both categories are enumerated distinctly from each other in 17 USC s.102(a), yet it is, upon inspection, at once clear that audiovisual works is a broader parent

⁴⁶⁸ *Capitol Records, Inc. v. Naxos of America, Inc.* 372F.3d471(2nd Cir.2004) New York State law applied and extended copyright protection to pre-1972 foreign sound recordings.

⁴⁶⁹ This distinction is important since the owner of a sound recording may not make use of the performance right unlike the owner of a literary, musical or dramatic work. See 17 USC 114 on s.106(4).

⁴⁷⁰ Compendium II of Copyright Office Practices, <http://www.copyrightcompendium.com/#431>, [431] (26 March 2011). See *caveats* by Prof. John Cavicchi at http://ipmall.info/hosted_resources/copyrightcompendium.asp.

⁴⁷¹ But see Part3,ChapterB(II)(2),(IV)(1)(b) on compulsory licenses.

category, which includes motion pictures. It therefore makes sense to define audiovisual works first. The statutory definition exhibits a three step model. It starts by requiring series of related images, which are then intrinsically intended for consumption by the use of machines, together with any sounds. The definition is technologically neutral regarding the key method of displaying or the nature of the material object in which the works are embodied. The more narrow category of “motion pictures” is defined as being one of audiovisual works again, consisting of related images but which must be shown in succession and again must in part an impression of motion, together with any accompanying sounds. It is therefore clear that the ontological subset is a narrower category also in legal terms due to the requirement of succession, and the impression of motion.

Having stated the above it is important to remember that an audiovisual work may consist of other individually identifiable copyrightable works that fall within the above definition, creating a audiovisual work. Importantly, it was held in *Stern Electronics, Inc v. Kaufman* that audiovisual displays did not have to occur sequentially.⁴⁷²

Importantly regarding the category of motion pictures, it may be noted that, since it includes sound tracks, it differs substantially from that for films under the CDPA, which switched the position in the UK back to that under the 1911 Act, as noted in Part 2, separating the score from the film.⁴⁷³ This of course means that sound tracks in the US enjoy performance rights, which is generally not the case for sound recordings.

It must also be noted that motion pictures require fixation in a tangible medium of expression, which therefore excludes live performances of for example American Football matches, unless a hardcopy is also simultaneously made.⁴⁷⁴

3) Fixation and Relevant Problems

⁴⁷² *Stern*, (n467).

⁴⁷³ Part2,ChapterA(I)(3).

⁴⁷⁴ H.R.Rep,1976,52.

In the US, the fixation requirement for copyright is also not merely a legislative matter, but one that has been reinforced by the Supreme Court itself. As has been noted above, Congress's legislative mandate concerning copyright stems from the Copyright Clause contained in the Constitution. Said copyright clause protects what are known as "Writings" of authors. In *Goldstein v California*,⁴⁷⁵ the Supreme Court defined "Writing" as "any physical rendering of fruits of creative intellectual or aesthetic labor".⁴⁷⁶

Works in Copies and Phonorecords

The fixation requirement arises from s.102(a) requiring a work to be fixed in a tangible medium of expression. Moreover, fixation is also required concerning infringement, thus in s.106(1) concerning the reproduction right which references not just reproduction of *copies* but also *phonorecords*, such infringing copies themselves are defined as requiring fixation. The Act, as noted above, in its 1976 reincarnation does not require any particular material object for fixation, it does however split all objects into two categories; copies and phonorecords. This naturally elevates phonorecords somewhat, which in turn benefits the content providing, in particular the music industry. Aside from such foundational consequential commercial observations, commentators such as Nimmer have argued that this distinction introduces a degree of unnecessary complexity.⁴⁷⁷

Stability & Permanence (Non Transience)

Fixation is also defined in terms of stability/permanency. This has a particular bearing on technological processes in online media. Specifically, what is required according to the definition of 'fixed' in s.101, is that when a work is embodied in a tangible form it is also "sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of *more than transitory duration*".⁴⁷⁸

One of the few remaining major non computer based commercial/industrial processes that has a complicated relationship with the stated requirement is that of live television and radio broadcasts. This is because as a rule, the sounds and

⁴⁷⁵ *Goldstein*, (n459).

⁴⁷⁶ *Ibid*, 561; *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 58 (1884).

⁴⁷⁷ *Nimmer, On Copyright*, (Matthew Bender 2009) [2.03C].

⁴⁷⁸ Emphasis added.

images making up a live broadcast should, it can be argued, be regarded as being ephemeral and not fixed, therefore not copyright protected. The reason why this is currently not case in the US is because the s.101 definition of fixation provides that where sounds or images, or both, are transmitted they will be regarded as fixed where a fixation of the work is made simultaneously with its transmission, as a result all broadcasters protect their works by simultaneous recording.⁴⁷⁹

For previously unprotected works that only fixations authorised by the author or by someone deputised by the author may attract copyright protection.

Computers, RAM/Buffers and Fixation (Non Transience)

Computer-based commercial processes have a complicated relationship with the requirement of fixation. For example, Random Access Memory (RAM) is temporary due to the fact that data in a “buffer” is often replaced with new data as a matter of course, and that in any event, data in RAM generally is deleted upon switching off a computer. One of the most important cases in this area is *MAI Systems Corp. v Peak Computer Inc.*,⁴⁸⁰ in which it was held that embodying software protected by copyright in RAM constituted fixation, and was, as a result an infringement of the plaintiff’s reproduction right.

Many commentators have criticised this decision since if permanence and stability were defined in terms of a spectrum, then alleged fixations in RAM lie very much to one end of the spectrum, if not entirely outside it.⁴⁸¹ Such critique receives solid backing from the requisite House Report, defining fixation in s.101 as such that excludes purely transient reproductions, including those captured momentarily in the ‘memory’ of a computer.⁴⁸² Litman for example identified logical and to a certain extent quite practical problems, were the ruling to be applied in other

⁴⁷⁹ *National Football League v. McBee & Bruno’s, Inc.* 792F.2d726(8th Cir.1986); s.1101 CA 1976; *United States v. Moghadam*, 175F.3d1269(11th Cir.1999); *United States v. Martignon*, 346F.Supp.2d413(S.D.N.Y.2004).

⁴⁸⁰ *MAI Systems Corp. v Peak Computer Inc.* 991F.2d511(9th Cir.1993).

⁴⁸¹ N. Elkin Koren, *Copyright Law and Social Dialogue on the Information Superhighway: The Case Against Copyright Liability of Internet Providers*, 13Cardozo Arts & Ent.L.J.345,381-382(1995).

⁴⁸² H.R.Rep., 1976, 52-53.

areas; browsing the Internet, given the storage of copyright protected data in RAM, could effectively be prohibited by content owners.⁴⁸³

DMCA s.117(c) "Maintenance & Repair" Exception

In 1998 Congress passed the Digital Millennium Copyright Act (DMCA). Concerning this particular issue the DMCA amended s.117(c) CA 1976, creating a defence for service providers that conduct maintenance or repair and that temporarily and reproduce computer programs.⁴⁸⁴ The exception is relatively narrowly tailored given that it requires the authorisation of the owner or the lessee of a machine to authorise the making a copy of a computer program made solely due to activation of the machine, which is not used to any other purpose and destroyed immediately after maintenance and repairs completed.

Cablevision - Revival of the Duration Requirement

The above 1998 amendment and defence obviously does not abrogate the controversy surrounding buffer copies, whether in computers or similar equipment, as can for example be seen from the recent case, *The Cartoon Network LP, LLLP v CSC Holdings Inc.*⁴⁸⁵ ("Cablevision"). In *Cablevision* the Court of Appeals considered in depth the making of copies of films using a Remote Server Digital Video Recorder (RS-DVR) by the defendants at a central remote server at the direction of users of the RS-DVRs for time shifting. Naturally this technological process raised many issues and the instant case will be referred to throughout this Part. However, for present purposes, the buffer copies alone will be of immediate concern. In order to analyse *Cablevision* it is first necessary to understand the technological processes involved. The provision of the RS-DVR service involved, in simplified terms, the selection by a user of a program to be recorded, which then

⁴⁸³ J. Litman, *The Exclusive Right to Read*, 13 Cardozo Arts & Ent.L.J.29(1994).

⁴⁸⁴ But see Information Infrastructure Task Force, Intellectual Property and the National Information Infrastructure, The Report of the Working Group on Intellectual Property Rights, Bruce A. Lehman, Chair (1995), 65, arguing to the contrary, <http://www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf> (29 March 2011); Final Report of the National Commission on New Technological Uses of Copyrighted Works (CONTU) (1978), <http://digital-law-online.info/CONTU/contu1.html> (29 March 2011).

⁴⁸⁵ *The Cartoon Network LP, LLLP v CSC Holdings Inc.*, 536 F.3d 121 (2nd Cir. 2008).

started a technological “chain reaction” creating a buffer and, once complete, a permanent copy on the defendants remote server.

The Court of Appeals in *Cablevision* rebuked the District Court for limiting its analysis to the embodiment requirement, and thus emphasised that both the embodiment and the duration requirement must be met. The court quite persuasively and elegantly stated that to hold otherwise, regarding the duration requirement would be to read it out of 17 USC s.101.

The above approach not only clarifies rules pertaining to fixation, but undoubtedly also benefits the content using OSP industry. The importance of the train of thought embodied in *Cablevision* cannot be overstated, particularly bearing in mind that the US copyright system does not contain provisions similar to those in s.28A CDPA, pertaining to exemptions for technological processes, as highlighted in Part 2.⁴⁸⁶

4) Originality

The analysis may be commenced with a consideration of the second part of the phrase “writings of authors”, given that “writings” has already been defined above. It was held by the Supreme Court already in 1884 that the definition of “author” as required by the Constitution is to be “[Someone] to whom anything owes its origin; the originator, maker (...)”.⁴⁸⁷ This is seemingly a helpful definition, but also one which, with respect, is not quite as direct as commentators such as for example Nimmer or Leaffer make it out to be.⁴⁸⁸ This is the case since on one view it does not inherently closely enough suggest that said authorship is itself connected to originality. One may, for example be the maker of a copy or derived work. But this is one view only.

The Court’s following determination that what is protected is the “intellectual conception of its author, in which there is novelty, invention, originality, and therefore comes within the purpose of the Constitution” is more direct in this

⁴⁸⁶ Part2,ChapterC(I)(2).

⁴⁸⁷ *Burrow Giles*,(n476).

⁴⁸⁸ Leaffer (n464),58. Nimmer (n477),[1.06][A].

regard, referring to the purpose of the Introductory Phrase and supplements the above, despite being a relatively early and strict definition.⁴⁸⁹ Yet, in defence of the above quote concerning the definition of “author”, it omits its second part, which forms the quote; “[H]e to whom anything owes its origin; originator; maker; *one who completes a work of science or literature*”, which arguably strengthens the relevance of this definition.

The requirement of originality stems directly in part from the Copyright Clause in the Constitution itself, affording protection to ‘writings of *authors*’ as well as 17 USC 102(a) “copyright subsists in original works of *authorship*”.⁴⁹⁰ Although, it must be added that originality is, unlike other terms, not expressly defined in 17 USC 101. The relevant House Report thus makes clear that the 1976 Act intended to incorporate the definition previously developed by the courts.⁴⁹¹ It is therefore, implicitly, also clear that original authorship requires;

(a) *independent creation*; and a

(b) *modicum of creativity*

as the Supreme Court determined in the famous 1991 decision, *Feist Publications, Inc. v Rural Telephone Service Company, Inc.*⁴⁹² (*Feist*). The case dealt with a telephone directory which Rural claimed was subject to copyright and which was copied by Feist Publications following a refusal to license. It was held there was no copyright in a telephone directory, and the double standard of originality referred to was propounded. Due to this explicit adoption of court determined originality, certain commentators have argued that Congress has forfeited its power to legislate using the Copyright or Commerce Clause of the Constitution, say for the benefit of particular works that under the requisite standard would not obtain protection.⁴⁹³ Importantly from a UK perspective, the Supreme Court explicitly rejected a “sweat of the brow” approach due to allegedly ‘protecting facts’,

⁴⁸⁹ *Burrow Giles*, (n476), 59.

⁴⁹⁰ *Nimmer*, (n477), [1.06][A].

⁴⁹¹ H.R.Rep., 1976, 51.

⁴⁹² *Feist Publications, Inc. v Rural Telephone Service Company, Inc.*, 499 U.S. 340 (1991).

⁴⁹³ P.J. Heald, *The Vices of Originality*, 1991 Sup.Ct.Rev. 43, 163-177.

impermissibly crossing the idea/expression rubicon.⁴⁹⁴ Yet, perhaps s.103 also played a part; requiring expressly originality for ‘factual compilations’.

Summary: Independent Creation (Originality)

The concept of “independent creation” which has been held in cases such as *Alfred Bell & Co v. Cantela Fine Arts, Inc.*,⁴⁹⁵ (*Alfred Bell*) not to require novelty simply means that the work is not copied from another work.⁴⁹⁶ It is thus possible, like under UK law, for two individuals to independently come up with the same work, and both will be protected by copyright.

Modicum of Creativity

It is important to distinguish between the criterion/requirement of ‘independent creation’ and that of a ‘modicum of creativity’, since these are linked but separate concepts.

The well known ‘Trademark Cases’ of 1879 were the first determination by the Supreme Court concerning the copyright clause.⁴⁹⁷ The Court held that “writings” must constitute “the fruits of intellectual labour” and that as such, trademarks did not qualify for protection since they did not constitute a writing in this sense. This pronouncement was followed by cases considering this issue up to the present day.⁴⁹⁸

Whereas a work may be independently created, it may fail to meet the standard of creativity. What exactly may be protected depends on the facts of the case and the specific subject matter at hand, as can be seen from *Kitchens of Sara Lee, Inc v. Nifty Foods Corp.*⁴⁹⁹ in which the label on a box of cake was protected due to

⁴⁹⁴ *Feist*, (n492), 353.

⁴⁹⁵ *Alfred Bell & Co v. Cantela Fine Arts, Inc.*, 191 F.2d 99 (2nd Cir. 1951).

⁴⁹⁶ *Ibid*, [5].

⁴⁹⁷ 100 U.S. 82 Copyright Cases or Patent Cases, 25 L. Ed. 550 Copyright Cases or Patent Cases (1879); cited by *Nimmer*, 1.08 [C] [1].

⁴⁹⁸ For example; *Higgins v. Keuffel*, 140 U.S. 428 (1891) concerning an informational bottle label; *Bailie v. Fisher*, 258 F.2d 425 (D.C. Cir. 1958) concerning a cardboard star that stood on flaps.

⁴⁹⁹ *Sara Lee, Inc v Nifty Foods Corp.*, 266 F.2d 541, 545 (2nd Cir. 1958).

having sufficient commercial artistry to entice protection against obvious copying.⁵⁰⁰

Appreciation of Work as a Whole

Very much like under UK law in Part 2, the courts in the US have held that determining the requisite modicum of originality must be done with reference to the entire work. The courts in *Atari Games Corp v Oman*⁵⁰¹ held that the Copyright Office erred in denying registration for copyright for a videogame screen, due to improperly focusing on individual independent components.⁵⁰²

Artistic Merit Irrelevant

Furthermore, is important to stress at this juncture that the courts since *Bleistein v Donaldson Lithographing Company*,⁵⁰³ do *not* assess in subjective terms what comprises artistic merit. This is almost identical to the position in the UK.⁵⁰⁴

5) *Formalities*

Formalities were emphasised from the dawn of U.S. copyright law to the CA of 1976, which at its passage provided that failure to observe certain formalities could result in either a loss of copyright, or in a loss of certain remedies under the copyright.⁵⁰⁵

It is first of all useful to distinguish between the requirements of formalities under;

a) 1909 CA;

b) 1976 CA; and

⁵⁰⁰ A clash: *Bailie v. Fisher*, 258 F.2d 425 (D.C. Cir. 1958).

⁵⁰¹ *Atari Games Corp v Oman*, 888 F.2d 878 (D.C. Cir. 1989) and 979 F.2d 242 (D.C. Cir. 1992).

⁵⁰² *Ibid*, (1992) 244.

⁵⁰³ *Bleistein v Donaldson Lithographing Company*, 188 U.S. 239 (1903).

⁵⁰⁴ Part 2, Chapter A(I)(4), on form see *Ibid*, 251, and 249.

⁵⁰⁵ *Nimmer*, (n477), [7.01][A].

c) the situation under the 1976 Act after the 1989 accession of the US to Berne.⁵⁰⁶

A trend towards abolition of formalities from 1909 to 1989 can be observed. Under the 1909 Act copyright protection;

a) could fail where notice and manufacture provisions had not been complied with;⁵⁰⁷ and

b) could not be enforced and in certain instances remedies denied the before the courts without prior registration with the Copyright Office.⁵⁰⁸

It will for present purposes not be necessary to delineate the difference between the 1909 Act and 1979 Act as originally passed, given the amendments pursuant to an accession to Berne. Presently in the US, for works created after the period 01 January 1978 - 01 March 1989, copyright notice, manufacture,⁵⁰⁹ registration, renewal provisions are not in force.

Registration

Registration or an attempt to register is required for suits in the US by US nationals.⁵¹⁰ Such also, for all litigants, allows for the recovery of fees for professional representation and the election of statutory damages, both of which, given the cost of litigation in the US and the nature of statutory damages themselves, are an immeasurable benefit.⁵¹¹ Moreover in cases which start off with an enquiry as to the establishment of *prima facie* copyright infringement, the court's enquiry will first of all revolve around the ownership of valid copyright. It is therefore usual for plaintiffs to file as an exhibit to a complaint a certificate of registration with the Copyright Office which serves as *prima facie* evidence of valid ownership of copyright pursuant to 17 USC 410(c). Registration is usually effective in this manner if it was made within five years after first publication. Section 410(c)

⁵⁰⁶ BCIA 1988.

⁵⁰⁷ CA 1909,ss.9,18,16.

⁵⁰⁸ CA 1909,ss.10,12[25].

⁵⁰⁹ The Manufacturing Clause expired three years before accession to Berne.

⁵¹⁰ E.g. See *Reed Elsevier, Inc. v. Muchnick*, 130S.Ct.1237,1241-1242(S.Ct2010); 17USC Section 411(a) provides, *inter alia* and with certain exceptions, that "no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title."

⁵¹¹ For a discussion of statutory damages, including the requirement of registration which arguably disproportionately impacts foreign rights holders see M.A.Kuppers, *US Copyright Infringement by File "Sharing": Statutory Damage(s)* [2010]2Computer Law Review International(CRi)39-43.

specifies that where registration is made thereafter, the evidentiary weight to be accorded to the certificate is within the discretion of the court. Additionally, as may be the case for works in the period between the effective date of the 1976 Act and 1 March 1989, the effective date of the BCIA, where the plaintiff is a party other than the author, such must first record with the Copyright Office the assignment, for example, using the actual deed.⁵¹² An important exception to the requirement of registration prior to bringing suit is that of works of foreign origin, these are not subject to such a requirement, but may not receive the above mentioned adjunct benefits.

It is worth briefly delineating publication, notice and the manufacturing provisions.

Publication

The publication of a work can be said to be the fixation work in a tangible medium of expression, as already defined above, and required by s.102(a). From that point on, federal copyright protection exists in the work, for the life of the author +70 years as per s.302(a).

For works falling within the time period 1 January 1978 and 1 March 1989, notice showing the date of publication was required for all publicly distributed copies of the work per s.401(a) and 402(a) for both types of works respectively. Failure to include notice on published copies of the work during the specified period could lead to forfeiture of copyright per s.405.

The BCIA abolishes the requirement for notice of works published on or after 1 March 1989. The BCIA does not touch upon the deposit requirement within three months after publication pursuant to s.407(a), with the library of Congress; non-compliance with which does not yield forfeiture, but instead fines pursuant to s.407(d). Following the depositing of the work with the Library of Congress it is usually the case that the author will register the work to gain the above identified advantages set out in s.408-412. The advantages include prima facie evidence of validity of copyright were said work is registered within five years the publication, statutory damages and attorneys' fees where registration proceeds infringement or a work has registered with the copyright office three months post-publication.

⁵¹² For more complex situations; see Nimmer,(n477),12.08.

*Concerning phonorecords, under the 1976 Act, publication of a sound recording publishes both the sound recording as well as the linked musical work.*⁵¹³

Notice Provisions

Notice for the purpose of the 1976 CA per s.401(b)⁵¹⁴ constitutes affixing the symbol (c) or the word “copyright” or the abbreviation “Copr.” together with the year of first publication of the work⁵¹⁵ and the name of the owner of the copyright in the work or an abbreviation/alternative designation of the owner. Said must be fixed in such a place and manner so as to give “reasonable notice of the claim of copyright”.⁵¹⁶ Where the notice is compliant and the defendant in a copyright infringement action had access to such, then per the statute “no weight shall be given to a defendant’s interposition of a defence based on innocent infringement in mitigation actual or statutory damages”.⁵¹⁷

Prior to the BCIA in 1988 such notice was required for all publicly distributed copies of the work of authorship. When comparing this requirement to that in other similarly situated jurisdictions, it is clear that such a requirement was unique in particular in relation to forfeiture of copyright as a result of non-compliance.⁵¹⁸ Commentators have noted that it was precisely this requirement which prevented accession to Berne for over 100 years, to the detriment of US authors.

There are four main purposes of the notice regime namely; conversion into public domain of non-exploited works; placing the public on notice of a claim to copyright; identification of the copyright owner and date of publication.⁵¹⁹ Burdens and unfairness to copyright owners which must be balanced against the main purposes of the notice regime. The reason for a revision of the 1909 statute in this regard

⁵¹³ This was the case until the SRA 1971. Therefore the position under the 1909 Act meant that in keeping with *White-Smith*, (n4), recording musical compositions by mechanical means such as piano rolls or later phonorecords did not copy the musical composition due to the fact that the material subject matter was not considered to be a copy of the work embodied on it.

⁵¹⁴ 17USC402(b) is similar except that it refers to the symbol (P) and includes different classifications of ownership.

⁵¹⁵ Except for tutorial, graphical sculptural works of the company text matter if any which is produced on greeting cards, postcards stationery, jewellery, dolls, toys or other useful articles.

⁵¹⁶ Pursuant to 17USC401(c) the Register of Copyrights may prescribe by regulation examples of specific methods of affixation.

⁵¹⁷ 17USC401(d). *Except as provided in the last sentence of 17USC504(c)(2).*

⁵¹⁸ See Nimmer, (n477), [7.02].

⁵¹⁹ H.R.Rep., 1976, 143.

*was to avoid unjust forfeitures resulting from “unintentional relatively unimportant omissions or errors in the copyright notice. It has been contended that the disadvantages of the notice requirement outweighs its values and that it should therefore be eliminated or substantially liberalised”.*⁵²⁰

Manufacturing Clause

The manufacturing clause expired in its own right on 1 July 1986, and was contained in both the 1909 and 1976 CA. It prohibited the import of books by American authors⁵²¹ unless the works were manufactured, printed and bound in the US or, later Canada.⁵²² Copies in contravention were eligible for seizure, forfeiture and destruction by the Department of Treasury and the U.S. Postal Service.⁵²³ Moreover in actions for infringement of a copyright owner’s reproduction or distribution rights, the owner’s violation of the manufacturing provisions could, given certain facts were proven, constitute a complete defence.⁵²⁴ Non-compliance can still be used as a defence for works publicly distributed between 1 January 1978 and 1 July 1986, where the copyright owner has not registered a US edition.

6) *Term of Copyright*

Concerning the duration of copyright, the Copyright Clause (Art I, para.8, cl.8 of the Constitution, as mentioned above, empowers Congress to grant exclusive rights to authors for “*limited times*”. The length of protection in successive Copyright Acts in the US has increased, as in the UK. The 1790 CA modelled on the Statute of Anne initially granted copyright protection to the published works to authors for 14 years as well as the right to renew for an additional 14 years, if the author was alive at the end of the first term. The 1909 CA increased the period of protection from 14 years to 28 years respectively. It also permitted the invocation of indefinite, state copyright prior to publication, whereupon common-law copyright

⁵²⁰ H.R.Rep.,1976,143.

⁵²¹ Authors and domiciliaries on the date of importation or distribution of a work into the United States (certain non-commercial, academic or governmental uses were excepted).

⁵²² 17USC601(a);1909 Act,17USC16.

⁵²³ 17USC603(a).

⁵²⁴ 17USC601(d).

was pre-empted by federal copyright, given compliance with the requisite formalities, as noted above.

From 1 January 1978, the 1976 CA provided for protection upon fixation in a tangible medium of expression, as noted. It thereby extended its protection to pre-existing published or unpublished works. The 1976 Act changed the period of protection for works created or published after 1 January 1978 to the life of the author +50 years, thereby concurrently abandoning the renewal format.

The period of protection under the 1976 Act was extended in 1998 by the Sonny Bono Copyright Term Extension Act (CTEA) as relevant for purposes of comparison with Part 1, for works;

a) in their *initial* 28 year copyright term under 1909 Act on 1 January 1978, for 67 instead of 28 years, thereby effectively providing a 95 year term of copyright;

b) in their *renewal* term under the 1909 Act on 1 January 1978, for a total period of 95 years from the date copyright protection started;⁵²⁵

c) *created* on or after 1 January 1978, for life +70 years;

d) *created prior* to 1 January 1978, *yet unpublished*, the period of life +70 years.

The term of protection for works made for hire⁵²⁶ is 95 years from the date of publication or 120 years from the date of creation, whichever expires first.⁵²⁷

Sound Recordings (and inadequate protection)

Lastly, given the fact that sound recordings were not protected until 15 February 1972, the protection of such is a complicated matter.⁵²⁸ For recordings prior to 1972, 17 USC 301(c) maintains rights and remedies under common law or statutes in the individual States until 15 February 2047. It will be observed that that this protection is problematic and when compared to be protection for sound

⁵²⁵ Note dissenting judgements in *Eldred v. Ashcroft*, 537 U.S. 186 (2003); see Leaffer, 233.

⁵²⁶ Generally those that are prepared by employees within the course of employment or those that are commissioned; see also *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 [1989].

⁵²⁷ See United States Copyright Office, Circular 9 and 15a, *Duration of Copyright*, <http://www.copyright.gov/circs/circ09.pdf>; <http://www.copyright.gov/circs/circ15a.pdf> (accessed 04 January 2012).

⁵²⁸ See SRA 1971.

recordings in the UK, providing comparatively less certainty to the rights holders or the content producing or even using industry. However, sound recordings created between 15 February 1972 and 31 December 1977 have the usual 28 year first term followed by a 67 year renewal term. Moreover recordings created on or after 15 February 1972 benefit from the standard, life +70 years period of protection.

7) Conclusion & Comparison

The above discussion has examined the development of copyright law in the US, highlighting relevant legislative milestones and their interaction with the federal nature of the jurisdiction. Within this landscape, a taxonomy of the works protected been undertaken, including particular existential attributes, namely; fixation, originality, formalities, and their term. The framework for a logical follow-on discussion of rights, exceptions and remedies pertaining to the subject matter has therefore been laid.

The federal categories of works, as in Part 2,⁵²⁹ have broadened e.g. the 1972 creation of ‘sound recordings’, in tandem with technological developments. They are however ‘organically grown’ (targeted; e.g. difference between motion pictures and audiovisual works) and partially overlapping. Notably absent from protection, contrary to in the UK, are titles and similar subject matter; musical works *include* accompanying works; motion pictures *include* sound tracks.

Yet, as compared with the UK, US copyright law features an added dimension due to the federal/state interplay. Without wishing to overstate the importance of this fact, this has added a limited element of legal uncertainty, in particular with respect to the dynamic nature of the base of operations of OSPs. It is not inconceivable that individual states may in the future adopt ‘copyright plus’ laws.

Importantly, concerning fixation, the duration requirement has recently been affirmed as operative in *Cablevision*. US copyright law does not have the equivalent to UK s.28A CDPA,⁵³⁰ which made this important.

⁵²⁹ Part2,ChapterA(I)(3).

⁵³⁰ Part2,ChapterC(I)(2).

Concerning originality, the US approach diverges, at least terminologically, from the UK one in that “sweat of the brow” is refused and an *independent creation exhibiting a modicum of creativity* is required. The first part of the test (independent creation) is almost identical to the first part of the UK test. The second part, the modicum of creativity or ‘intellectual labour’ requirement arguably at least generally differs in scope, being narrower, than the UK requirement of “relevant skill and labour”, yet bearing in mind recent developments, i.e. as of yet unresolved CJEU references on the interplay between the UK test and “independent intellectual creation of the author” in particular in *Football Dataco*.⁵³¹

Most formalities were abolished following the BCIA 1988 in the US. However some requirements, unlike in the UK since the Berlin Revision (1908) of Berne, mean that under US law OSPs might enjoy some slight benefits, the extent depending on exact time period a work falls into. It is currently still the case that where the works in suit have not been registered, this will mean that ownership must be established and statutory damages as well as representational costs cannot be claimed.

The term of copyright in the US has been set at, mainly, life +70 years, explicitly so under the 1976 Act, and with ‘add on’ terms for works protected under prior Acts, or 95 years for corporations. The term of copyright for sound recordings in the US is a particularly problematic issue, given the late introduction of the category; protection straddling both state, until 2047, and federal law. In sum, the protection for some works is longer in the US than the UK where the maximum is life +70 years; the Gowers Review rejected term extensions citing the absence of a competitive disadvantage. The length of protection naturally favours the content providing industry.

Given the above, it must be stated that as relevant to validating the central third-party copyright liability comparison and proposals for reform, both regimes are largely similar and operate in a similar fashion.

⁵³¹ *Football Dataco*, (n329).

B. Primary Copyright Infringement

Having examined the nature of copyright protection under federal law including relevant categories, it is now logical to examine the nature of the exclusive rights granted in the US. This section, as in Part 2 is necessary to provide proper definition and demarcation of 3PCL theories, so that these may then later be analysed as well as compared and contrasted accurately. As with the section above, the following analysis will include instant comparisons to UK law where relevant and appropriate.

This Chapter examines the rights attaching to the protected categories delineated in Chapter A, which may be directly infringed; as such it examines the reproduction, distribution, public performance, and public display rights. This examination is followed by a conclusion and comparison to the law in the UK.

I. Delineation and Meaning of Exclusive Rights

The exclusive rights of copyright owners set out in s.106 concern reproduction, adaptation, distribution, performance and display & recording of digital audio transmissions of works. The doing of any such act without authorisation amounts to infringement, where such is not subject to an applicable limitation as set out in ss.107-122; the current Act in the US as compared to the CDPA 1988 contains more detailed limitations.⁵³²

The various exclusive rights listed in s.106 pertain to different forms of copyrightable works. For clarity, it is important that it will be remembered that the reproduction, adaptation and distribution rights apply to all works listed in s.102(a), whereas the rights of public performance and public display inherently only apply to the categories delineated in s. 106(4) and (5). The right of public performance attaches only to musical works but not to sound recordings. Despite at first glance not seeming directly relevant to both the foregoing and present classification and delineation of works and exclusive rights, this is not so – in

⁵³² E.g., 17USC117, regarding computer programs.

particular given the complex nature of the subject matter at hand. Whether a music connoisseur that publicly exhibits his taste in songs at an event at Madison Square Garden, New York City,⁵³³ simultaneously dons the hat of a pirate depends *inter alia*, upon the method of purveyance for aural pleasure. In other words, in an unauthorised scenario, while the exhibitionist playing *recordings* might get served by the author and not the record label/owner, one utilising a *website* for a “digital audio transmission” could expect an action from the copyright owner, pursuant to s.106(6). This example admirably demonstrates the interplay between media, owners and s.106. Yet, irrespective of the right or subject matter, the limitations referenced above apply equally.

An alternative perspective on the above may be tendered in the sense that some commentators have focused in their discussion of this topic on the requirement of reproduction in some form for all infringements.⁵³⁴ As such this requirement has been termed an *external limitation*, meaning that exercising rights pertaining to a work must concern infringements emanating directly or indirectly from the owner of the requisite right. This can be contrasted with so-called *internal limitations* meaning that not every unauthorised act, even to the extent where it emanates directly from a copyright protected work automatically infringes copyright.⁵³⁵ This is of course not to say that certain unauthorised acts might not infringe despite the fixation of the work not being involved, for example by public sale, performance or display. This is particularly relevant for music, sound recordings, audiovisual works and movies, which are the focus of this thesis.

Whereas some would undoubtedly consider a discussion of copyright in such doctrinal terms as superfluous, such is in fact essential to the development, nature and outcome of this thesis. As, noted above, and as in the UK, the copyright owner may do certain restricted acts or *authorise* others to do them per s.106. This language of including “*authorisation*” is important, and commentators have noted, relying on *Sony Corporation of America and Universal City Studios, Inc.*,⁵³⁶ that “furnishes the basis for incorporating into copyright law the principle of

⁵³³ Famous event venue in NYC, see <http://www.thegarden.com/about/index.html> (06April 2011).

⁵³⁴ *Nimmer*, (n477), [8.01][F].

⁵³⁵ *Nimmer*, (n477), [8.01][A]; citing in fn5.1 *Sony*.

⁵³⁶ *Ibid*, 435, fn.17.

contributory infringement”.⁵³⁷ This fact is important, because it highlights a major difference between the UK copyright system and the US copyright system in the sense that the latter does not include at the outset a category of secondary copyright infringement, even where such a category in the UK is not comparable with the evolved category of contributory infringement i.e. secondary liability in the US. Discussion of *Sony* will resurface throughout this part, since it is relevant to not only in the development of 3PCL but also to exceptions.

It now behoves to briefly provide more details regarding relevant exclusive rights, for an adequately in-depth discussion of the rights ultimately being infringed in primary or 3PCL.

II. Reproduction Right

Since the first CA 1790, evolution has also occurred concerning what can be termed the most fundamental copyright, namely that of reproduction; the most immediate and striking feature being the inclusion of “phonorecords” in the right to “reproduce the copyrighted work in copies or phonorecords”.⁵³⁸

As noted, infringing reproduction must include the unauthorised fixation in a tangible and relatively permanent medium of expression. It will be important to distinguish between the reproduction right and the distribution right. The reproduction of only *one copy* in unauthorised manner will infringe automatically. In the classical sense one might wonder why a commercial party would reproduce a work without distributing it for pecuniary gain. This can be answered however with reference to cases such as *Sega Enterprises Ltd v Accolade Inc.*,⁵³⁹ where the infringer had as its stated purpose the reverse engineering of the plaintiffs software; or *Walt Disney Productions v Filmation Association*⁵⁴⁰ where the infringer reproduced the plaintiffs works during the production of a film despite non-distribution of the copies in question. In short, the reproduction right can be justified without distribution. It is also submitted that it would be instructive to

⁵³⁷ *Gorman*, (n455), 100; *Columbia Pictures Indus. v. Aveco, Inc.*, 800F.3d 59 (3rd Cir. 1986).

⁵³⁸ 17 USC 106(1).

⁵³⁹ *Sega Enterprises Ltd v Accolade Inc.*, 977F.2d 1510 (9th Cir. 1993).

⁵⁴⁰ *Walt Disney Productions v Filmation Association*, 628F.Supp 871 (C.D. Cal. 1986).

distinguish between reproduction and copying in the sense that reproduction occurs only with the above referenced fixation, whereas copying as a broader category can include instances where fixation has not occurred such as by performance or display.⁵⁴¹

The definition of reproduction in s.106(1) refers to “copies” and “phonorecords” in technologically neutral terms, implicitly by incorporating the requisite definitions in s.101, which principally centre around the phrase “by any method now known or later developed”. Commentators have thus noted that unauthorised copies generated by technology through the years have therefore not caused concern.⁵⁴² Conversely, transient storage whether in RAM or ROM causes problems due to the impermanent nature of fixation.

1) Proof of Unauthorised Copying

Given the relatively practical nature of this thesis it is important to discuss the proof of copyright infringement in the US, without which even the most solid theory of infringement by a plaintiff will fail. There are three different approaches. The first may be termed the “ordinary observer/audience test” and as a name suggests is relatively simple. It involves recording the subjective, spontaneous and immediate reactions of non-legally trained observers in court.⁵⁴³ Commentators have noted that the way in which the test has been used varies, but this need not be a concern presently, given that it is also be noted that the present approach in the US is a two-step approach.⁵⁴⁴ This two-step approach, splits into depending on the sphere of judicial allegiance, the Second Circuit and the Ninth Circuit approach. Given that the Ninth Circuit modified the earlier approach by the Second Circuit, this will be analysed first. Thus, in *Arnstein v. Porter*⁵⁴⁵ (“Arnstein”) the Second Circuit emphasised the importance of differentiating between, on the one hand, unauthorised copying from the plaintiffs work, and once this has proven, on the

⁵⁴¹ Leaffer, (n464), 299.

⁵⁴² Gorman, (n455), 101-102, citing *Pasha Publ'ns, Inc. v. Enmark Gas Corp.*, 22 USPQ2d 1076 (N.D. Tex. 1992), *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997) and *Grokster*, (n19).

⁵⁴³ E.g. *Harold Lloyd Corp. v. Witwer*, 65 F.2d 1 (9th Cir. 1993).

⁵⁴⁴ Leaffer, (n464), 421.

⁵⁴⁵ *Arnstein v. Porter*, 154 F.2d 464 (2nd Cir. 1945).

other, that it could be deemed improper appropriation. Admission by the plaintiff is the most direct route, yet this is rarely the case, and therefore joint evidence of access and similarity must suffice for an inference by the court in this regard. It also follows that proof of access and similarity are entirely sequential. Access will often prove less challenging than establishing the requisite degree of similarity.

a) Two-Tier Copying Test

Arnstein proposed a *two tier* test of copying in this regard. The first level examines merely whether when comparing the two works, at a very low level, the similarities are “probative”⁵⁴⁶ of copying – meaning that they indicate the likely absence of independent creation. The second more rigorous stage, in case of a positive finding at the first stage, examines “substantial taking” measured either qualitatively or quantitatively. Again, there are, substantial similarities between the US and UK jurisprudence on the topic of the ontological enquiry for a judicial determination of copying, such that might even loosely and conceptually satisfy the first level test in *Arnstein*. Most interestingly commentators such as Gorman have noted the inverse relationship between the weight of proof of access and of similarity, in the second part of the test.⁵⁴⁷ This means that it has been argued that the greater the obstacles a defendant faced in gaining access to the copyright protected work the stronger the case must be on similarities between the two works in question; conversely where there are relatively few similarities between the works in question the more the success of the case for the plaintiff will hinge on proof of access.

Gorman's observations may however be qualified.⁵⁴⁸ It was held in *Warner Bros., Inc. v. American Broadcasting Companies*,⁵⁴⁹ that “because direct evidence of

⁵⁴⁶ See A. Latman, “Probative Similarity” *Proof of Copying: Toward Dispelling Some Myths in Copyright Infringement*, 90Colum L.Rev.1187,1204(1990).

⁵⁴⁷ Gorman,(n455)103.

⁵⁴⁸ Explicit reference is made to *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722F.2d988,992 and 997(2d.Cir.1983) and *Warner Brothers v. American Broadcasting Companies*, 654F.2d 204,207(2d Cir.1981). In this case, Judge Owen determined that “My Sweet Lord is the very same song as He's So Fine with different words, and Harrison had access to He's So Fine.” *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420F.Supp.at180-81. He concluded that the substantial similarity coupled with access constituted copyright infringement, even

copying is ordinarily unavailable, a plaintiff is permitted to demonstrate copying through indirect proof. [Thus,] it is well settled that copying may be inferred where a plaintiff establishes that the defendant had access to the copyrighted work and that the two works are substantially similar."⁵⁵⁰

Somewhat problematically in dogmatic terms given the possibility of two identical but independent creations which are both worthy of copyright protection, it has been held in US jurisprudence that inferences of copying may be drawn even where evidence of access to the work in question is absent given "striking" similarities.⁵⁵¹ The Court of Appeals in *Ty, Inc. v. GMA Accessories, Inc.*,⁵⁵² held that the concept of a degree of similarity that is close to identity can be evidence of access in itself, thereby ruling out the "accident of independent creation". However the Court ameliorated this approach by taking into account works/subject matter in the public domain which the defendant in question may have drawn on first, as well as specifically allowing for a rebuttal, by disproving access or establishing independent creation by other means.⁵⁵³

b) Question of Degree once Probatively Affirmed

It must be remembered however that proven copying does not suffice for a finding of infringement. What is required instead is the addition of *substantiality* in terms of the degree of copying, so as to make the appropriation unlawful, as indicated above. The question was raised in *Arnstein* whether the court will find expert or lay testimony useful. It was thus held that experts may prove useful in assisting the court with a determination of whether copying at the first tier had occurred, whereas lay persons' responses to the second tier are likely to be more

though subconsciously accomplished. *See id.* at 180, 181 (citing *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir.1936); *Northern Music Corp. v. Pacemaker Music Co.*, 147 U.S.P.Q. 358, 359 (S.D.N.Y.1965))."

⁵⁴⁹ *Warner Bros., Inc. v. American Broadcasting Companies*, 654 F.2d 204, 207-8 (2d Cir.1981)

⁵⁵⁰ Citing *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, *supra*; *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

⁵⁵¹ *Ty, Inc v GMA Accessories, Inc.*, 132 F.3d 1167 (7th Cir.1997). [3] "Identity is not infringement." The court was acutely aware of this fact and upheld such instances *per se*, citing *Selle v. Gibb*, 741 F.2d 896, 901 (7th Cir.1984); *Grubb v. KMS Patriots, L.P.*, 88 F.3d 1, 3 (1st Cir.1996).

⁵⁵² *Ibid*(*Ty*).

⁵⁵³ *Ibid*, [10].

determinative.⁵⁵⁴ This means that experts are limited in their usefulness to determine the *likelihood* of copying but not the actual *substantiality*. It has been held in US jurisprudence that in considering whether a work is substantially similar to the copyrighted work it is the *ordinary observer's perspective* that must be adopted.⁵⁵⁵ The relevant public will be taken into account where a particular work was marketed at a particular audience, in these cases such audiences' observations will be of particular value regarding substantiality.⁵⁵⁶ The court in *Lyons P'ship, L.P. v. Morris Costumers, Inc.*⁵⁵⁷ further imposed a two-part analysis concerning substantiality; differentiating between extrinsic and intrinsic similarity. The former concerned similarity on the grounds of substantially similar ideas which are copyright protected, and the latter involved similarity because the alleged copies express ideas in a "substantially similar manner, from the perspective of the intended audience of the work". It was important that the court noted, concerning intrinsic similarity that this concept may lead to a "slippery slope" due to requiring an enquiry into "the 'total concept and feel' of the works', but *only* as seen through the eyes of the ordinary observer".⁵⁵⁸

c) Ninth Circuit Variation: Krofft

The Ninth Circuit has varied the approach in *Arnstein* in *Sid & Marty Croft Television v. McDonald's Corporation*.⁵⁵⁹ The creation was called an "extrinsic-intrinsic test for infringement based on the idea-expression dichotomy" and was intrinsically described as substantially similar.⁵⁶⁰ The first stage enquiry seeks out substantial similarity of ideas by analysis, including experts. Such must be proven by the plaintiff. Once found, the jury is to determine sufficiency of quantity based on the view of such, without experts, much like the audience test referenced above. It may be observed that similarity of ideas does not disprove independent

⁵⁵⁴ *Arnstein*, (n545), 468.

⁵⁵⁵ *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2nd Cir. 1960).

⁵⁵⁶ *Lyons P'ship, L.P. v. Morris Costumers, Inc.*, 243 F.3d 789 (4th Cir. 2001) "Duffy The Dragon"; 801: Also see *Dawson v. Hinshaw Music, Inc.*, 905 F.2d 731 (4th Cir. 1990).

⁵⁵⁷ *Lyons*, (n556), 801.

⁵⁵⁸ *Ibid.*

⁵⁵⁹ *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, (9th Cir. 1977).

⁵⁶⁰ *Ibid.*, fn7.

creation and commentators have stated that Krofft favours defendants, especially given the complexity of the first hurdle before a jury considers the facts.⁵⁶¹

d) De Minimis Doctrine

Where, despite a copyright protected work being copied it lacks substantial similarity, copyright infringement cannot be found. This has been termed the *de minimis/de minimis non curat lex* doctrine in *Ringgold v. Black Entertainment Television, Inc.*⁵⁶² Whereas in principle it would seem that short excerpts would fall within this denomination, it has been held that sampling can be held to be inapplicable to music recordings.⁵⁶³

e) Strict Liability

Given that copyright infringement is, as noted in Part 2 also, a strict liability tort, *unknowing* or *unconscious* infringement does not present a defence.⁵⁶⁴

2) Compulsory “Mechanical Licenses”

Despite having noted that the exclusive right of reproduction in 17 USC 106(1) also applies to works embodied in phonorecords, this is tempered by the important compulsory license provisions (“mechanical license”) in s.115(a)(1) which provides that following the authorised distribution of nondramatic musical works in the US,

⁵⁶¹ *Leaffer*, (n464), 423.

⁵⁶² *Ringgold v. Black Entertainment Television, Inc.*, 126 F.3d 70, 74 (2nd Cir. 1997).

⁵⁶³ Contrast *Newton v. Diamond*, 349 F.3d 591 (9th Cir. 2003) (Beastie Boys); *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005) citing 230 F.Supp.2d, 841, but compare, examination at 800. Note also 17 USC 114(b) infringement by rearranging, remixing or altering the work by mechanical means, with “mechanical means” being loosely defined in H.R. Rep. 1976, 106.

⁵⁶⁴ *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F.Supp. 177 (S.D.N.Y. 1976). Note however *Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000) citing Judge Learned Hand in *Fred Fisher, Inc. v. Dillingham*, 298 F.145, 147-48 (S.D.N.Y. 1924), at 482-483.

any person, may following the acquisition⁵⁶⁵ of a compulsory license, make and distribute phonorecords of said works.⁵⁶⁶

These provisions hark back to the 1909 CA and Congress's concern at the time that a monopolist would emerge with title to almost all recording rights. The objective was thus to facilitate the emergence of smaller record companies to kindle competition in the industry. Certain commentators have noted that despite, or others have propounded perhaps because, emblematically, the Aeolian Company,⁵⁶⁷ one of the most powerful undertaking at the time, does not exist anymore, this has in fact worked.⁵⁶⁸ Other such commentators, e.g., Pallas Loren, adamantly call for the abolition of both the compulsory license regime for musical copyright owners.⁵⁶⁹ She also rails against the unequal treatment of musical and sound recording copyright owners, citing the result of prospective parity as being "a more efficient market for downstream use".⁵⁷⁰

a) Tribunals to Panels

Royalty rates despite initially being fixed statutorily under the 1909 Act, were under the 1976 Act initially regulated by the Copyright Royalty Tribunal.⁵⁷¹ The Copyright Royalty Tribunal members appointed by the President, formed what can be defined as an independent agency, with delegated authority to legislate concerning compulsory licenses within a relatively narrow remit. The tribunal also adjudicated disputes concerning the allocation of funds collected for cable television and jukebox performances.

The Copyright Tribunal's activities were controversial from the outset, since the CA 1976 provided detailed guidance as to rate-setting for compulsory licenses yet, perhaps understandably, did not specify the manner of allocation of royalties. It may also be noted that the Tribunal had the mandate to develop its own rules of

⁵⁶⁵ 17USC116(1)-(6).

⁵⁶⁶ L. Pallas Loren, *Untangling the Web of Musical Copyrights*, 53 Case W. Res. L. Rev. 673 (2003).

⁵⁶⁷ A manufacturer of player organs and pianos. See http://en.wikipedia.org/wiki/Aeolian_Company (8 April 2011).

⁵⁶⁸ *Gorman*, (n455), 111.

⁵⁶⁹ *Pallas Loren*, (n566), 677.

⁵⁷⁰ *Ibid.*

⁵⁷¹ 17USC801.

procedure provided these complied with the Administrative Procedure Act 1966.⁵⁷² Decisions of the Tribunal were appealed to the DC Circuit relatively frequently⁵⁷³ and House Committees examined the Tribunal's actions several times.⁵⁷⁴ Oman suggested in 1986 that the jukebox license despite its amendment by the BCIA stood in the way of US adherence to the Berne Union.⁵⁷⁵ Divestiture from the Tribunal began in 1993⁵⁷⁶ and cumulated in 2004/6⁵⁷⁷ with copyright royalties under the scheme being administered by Copyright Royalty Judges appointed by the Librarian of Congress.

b) Digital Phonorecords Delivery

The license provisions, apply equally to any media and distribution. In fact, downloads are specifically catered for by 17 USC 115(c)(3) in what is classed as "digital phonorecords delivery" regardless of whether the digital transmission is simultaneously "also a public performance of the sound recording under s.106(6) of this title or of any nondramatic musical work embodied therein under s.106(4) of this title". This provision was added at quite an early stage in the development of the internet by the DPRSA 1995. Some commentators have noted in this regard that the metamorphosis of the "mechanical license" being a mechanism to facilitate the distribution of musical works by extending the original consensual license into what can be termed "interactive digital audio transmission technology" is a cause for concern for the content producing industry.⁵⁷⁸ This awareness is exacerbated by s.114 as amended by the DPRSRA, regarding the reception by consumers of sound recordings transmitted in 'real-time' thereby, as with traditional broadcasts, allowing for simultaneous and allegedly unlawful home recording and further compounded from a content providing industry

⁵⁷² *Administrative Procedure Act (APA)*, Pub.L.79-404, 60 Stat. 237.

⁵⁷³ E.g. *Recording Industry Association of America v. Copyright Royalty Tribunal*, 662 F.2d 1 (DCCir.1981).

⁵⁷⁴ *Leaffer*, (n464), 295.

⁵⁷⁵ R. Oman, *The Compulsory License Redux: Will it Survive in a Changing Marketplace?*, 5 *Cardozo Arts&Ent. L.J.* 37, 49-50 (1986).

⁵⁷⁶ Copyright Royalty Tribunal Reform Act of 1993 Pub.L.103-198, 114 Stat. 303 H.R.2840 creating the abolished Copyright Arbitration Royalty Panels.

⁵⁷⁷ Copyright Royalty and Distribution Reform Act of 2004 (P.L. 108-419) and Copyright Royalty Judges Program Technical Corrections Act (P.L.109-303).

⁵⁷⁸ *Leaffer*, (n464), 311.

perspective by s.118, which provides compulsory licenses for non-commercial broadcasting entities.⁵⁷⁹

The DPRSRA distinguishes “digital phonorecords delivery” which usually results in reproduction from performances in real-time which are non-interactive subscription transmissions *without* reproduction is in s.115(d). The DPRSRA amendment specifically stipulates that any digital phonorecords delivery shall be classified as infringing unless the requisite delivery was authorised by the copyright owner of the sound recording and that such or the entity causing the digital phonorecords delivery has obtained a prior compulsory license under the section or has otherwise been authorised by the copyright owner of the musical work to distribute or authorise such by means of the requisite technology in s.115(c)(3)(h). The DPRSRA specifically exempts the sound recording copyright owner from secondary liability for unauthorised distribution in cases where the sound recording copyright owner has not licensed distribution of the phonorecords containing the nondramatic musical work in question.

It is moreover highly relevant that the royalties set by the Copyright Royalty Judges in respect of the digital phonorecords remain the same as for delivery via more traditional means. Commentators have noted that this is due to a “functional equivalence”.⁵⁸⁰ This significantly shifts the balance of the compulsory licensing provisions a way from those receiving the copyright royalties, since under normal market conditions these most likely would negotiate new rates given the significantly lower production and distribution costs. Leaffer however notes that payment of royalties for digital phonorecords delivery under the compulsory license scheme will most likely be negotiated voluntarily or simply issued through or following an administrative assessment.⁵⁸¹

The concept of compulsory licenses is interesting in the sense that the content providing and using industries have attempted to find compromises in this regard. In support this contention commentators such as Leaffer for example cite s.111 concerning secondary transmissions which in particular reflects intense

⁵⁷⁹ *Ibid*,311;s.118(f).

⁵⁸⁰ *Gorman*,(n455),114.

⁵⁸¹ *Leaffer*,(n464),312.

negotiations between different lobbies resulting in a complex system of regulation.⁵⁸²

III. Distribution Right

S.106(3) sets out the exclusive right to distribute copies or phonorecords to the public. This may be done by several methods, namely by sale or other transfer of ownership, rental, lease or lending, per the statute.

The definition of “to the public” is to be taken literally, comporting with a right to control the work’s publication.⁵⁸³ “Distribution” was used by the drafters purposively instead of “publication” to add clarity. Nimmer has thus observed that some might argue that distribution to a confined group, for limited purposes, not to “the public at large”, should not infringe the distribution right. The contrary position stems from the fact that the right to “vend” and the right to “publish” under s.1(a) CA 1909 were arguably subsumed under the present definition. The right to “vend” constituted a broader set of activities, in the sense that it could include more closely defined groups of consumers, whilst however implying pecuniary recompense.⁵⁸⁴ Commentators have therefore argued that a construction that broadens the term “to the public” by including smaller subsets, strips the instant right of its intended meaning.

Moreover infringement of the distribution right requires actual dissemination and not, for example, public performance or transmissions. This is quite natural since performance does not in the classical sense involve publication nor does it involve a physical transfer. Nonetheless, in the event where an OSP makes available an unauthorised copy on its website or via services, to be downloaded by members of the public, it infringes the copyright owner’s distribution right, as for example held

⁵⁸² D. Ladd, *Copyright, Cable, the Compulsory License: A Second Chance*, 3Comm.&Law3 (1981).

⁵⁸³ *Nimmer*, (n477), [8.11[A]]; *National Car Rental v. Computer Associates*, 991F.2d426(8th Cir.1993).

⁵⁸⁴ *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 558F.Supp.1247,1253(W.D.N.Y.1983): citing *Platt & Munk Co., Inc. v. Playmore, Inc.*, 218F.Supp. 267,268(S.D.N.Y.1962), *modified and aff’d*, 315F.2d847(2d Cir.1963). See also *Ford Motor Company v. Summit Motor Prods., Inc.*, 930F.2d277(3d Cir.1991).

in *Playboy Enterprises Inc. v. Hardenburgh, Inc.*.⁵⁸⁵ It will be observed that this is a logical development from liability of a public library “when it places an unauthorized copy of the work in its collection, includes the copy in its catalogue or index system, and makes the copy available to the public”, as in *Hotaling v. Church of Jesus Christ of Latter Day Saints*.⁵⁸⁶

It will also be borne in mind that under this right, unauthorised distributors are liable for infringement and not the recipients, unless the distributor is himself an infringer, wherefore the buyer may in fact be liable as a contributory infringer as stipulated in *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distribs.*⁵⁸⁷

1) First Sale Doctrine

The above referenced distribution right applies to the first public distribution of the work leading to what has been known as the “first sale doctrine”. S.109(a) governs the first sale doctrine, by providing that the lawful owner of a copy/phonorecords, or any other person such authorises, is entitled to sell or otherwise dispose of said copy/phonorecords, without the authority of the copyright owner.⁵⁸⁸

The above implies that the copy in question was lawfully made with the authorisation of copyright owner, transferred under the copyright owner’s authority and that the defendant was the lawful owner of the copy in question as well as the concomitant implications that the distribution right is availed of and not the reproduction right.

This means that the copyright owner that has to divest themselves for the first time of the title to their intellectual creation⁵⁸⁹ by philanthropic⁵⁹⁰ or pecuniary

⁵⁸⁵ *Playboy Enterprises Inc. v. Hardenburgh, Inc.*, 982 F.Supp.503 (N.D. Ohio 1997).

⁵⁸⁶ *Hotaling v. Church of Jesus Christ of Latter Day Saints*, 118 F.3d 199, 201 (4th Cir. 1997).

⁵⁸⁷ *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distribs.*, 569 F.Supp.47, 48 (E.D. Pa. 1983), aff’d mem., 738 F.2d 424 (3d Cir. 1984).

⁵⁸⁸ Compare *Droit de Suite*, which is diametrically opposed to the first sale doctrine since it adopts the concept of a resale royalty. See Directive 2001/84/EEC, 2001, O.J. (L 272). And see The California Resale Royalties Act, Cal. Civ. Code s.986 (1977, amended 1983).

⁵⁸⁹ This automatically triggers the doctrine as in *United States v. Atherton*, 561 F.2d 747, 750 (9th Cir. 1977) quoting *United v. Wise*, 550 F.2d 1180, 1187 (9th Cir.) cert. denied, 434 U.S. 929, 98 S.Ct. 416, 54 L.Ed.2d 290 (1977).

means and loses the right to control or to benefit from subsequent dispositions. “Pecuniary means” does not include transactions that bear the hallmarks of leases or licenses which witty drafters of transactions may seek use to circumvent the first sale doctrine, as for example in click wrap or shrink-wrap licenses. However, it was held in *Adobe Systems Inc. v One-Stop Micro Inc.*,⁵⁹¹ that an agreement relating to computer software to be distributed to educational institutions was in fact a licensing agreement and not distribution of the software, despite the use throughout the “license agreement” of terms indicating a certain finality of divestiture, or sale.⁵⁹²

Looping back however to the rights of the person in possession as to the original copyright owner, such a person is naturally not permitted to reproduce or perform the work publicly without the consent of the copyright owner. Given the above, it also logically follows that the doctrine is *not* triggered when a work has been rented, leased or loaned *without* transfer of title by the copyright owner. It will however be important for practitioners that it was held in *United States v. Wise*,⁵⁹³ that the doctrine may be modified contractually by the parties to the agreement. Such amendments or modifications will then be subject to enforcement via contract law.⁵⁹⁴

2) Digital Transmissions

The Copyright Office has stated that the first sale doctrine is bound up through and through with the tangible nature of copies embodied in its regime.⁵⁹⁵ Some will no doubt question how well this fits in a world where significant numbers of works are “disposed” of in digital/online environments. Problems arise when a legal owner transmits a work to another person due to the fact that the sender usually keeps of what is known as a “source copy” and unless expressly deleted, at the

⁵⁹⁰ *Walt Disney Productions v. Basmajian*, 600F.Supp.439(SDNY1984), 442.

⁵⁹¹ *Adobe Systems Inc. v One-Stop Micro, Inc.*, 804F.Supp.2d1086(N.D.Cal.2000).

⁵⁹² *For commentary:* Nimmer, (n472), [8.12[B][1][d][i]].

⁵⁹³ *United States v. Wise*, 550F.2d1180, 1194(9th Cir.), *cert denied*, 434US929(1977).

⁵⁹⁴ H.R.Rep., 1976, 79.

⁵⁹⁵ U.S. Copyright Office, Executive Summary: Digital Millenium Copyright Act: Section 104 Report, http://www.copyright.gov/reports/studies/dmca/dmca_executive.html (09 April 2011).

same time the recipient receives a *further* copy. Therefore, the technologically advanced legal owner that previously would have divested itself of a physical copy arguably infringes both the reproduction and distribution right pertaining to the work in question. Lemley has thus called for a change to the first sale doctrine to include the transfer of electronic works to single parties provided the source copies deleted within a reasonable time.⁵⁹⁶

Other commentators have questioned this innovative approach from a policy standpoint.⁵⁹⁷ Such commentators are aligned with the Copyright Office's view that classic physical copies are in their nature not the same as digital copies. This is the case due to economic and practical reasons. It may be validly observed that the market for digital versions of works differs from the traditional one, and that digital works in general do not degrade and can be perfectly reproduced cheaply, globally, and in greater numbers.

Commentators such as Nimmer pose the question whether "users acquired interests during an era when they acquired tangible goods—books, discs, paintings, etc.—which simply do not arise in today's Internet environment."⁵⁹⁸ Naturally, the Internet raises many new issues for copyright law, one of the responses to which has been the DMCA 1998.⁵⁹⁹ In the hearings on the DMCA, it was stated that extending the first sale doctrine to online environments runs counter to the policies the doctrine was intended to protect.⁶⁰⁰ Statements such as these are again in tune with Copyright Office's view. It is therefore not surprising that the Office's mandated s.104 Impact Report does not recommend amending the CA to deal with the digital first sales.⁶⁰¹

It was noted in the preceding paragraphs concerning digital transmissions that the sender arguably infringes the distribution and reproduction right of the copyright owner in copying and sending a copy of the work to another. The reason why some commentators argue that where a sender simultaneously or shortly thereafter

⁵⁹⁶ M.A. Lemley, *Dealing with Overlapping Copyrights on the Internet*, 22 U. Dayton L. Rev. 547, 584 (1997).

⁵⁹⁷ Leaffer, (n464), 322.

⁵⁹⁸ Nimmer, (n477), [8.12[E]].

⁵⁹⁹ See Part 3, Chapter C(VI).

⁶⁰⁰ 144 Cong. Rec. H7098 (daily ed. Aug. 4, 1998) as cited in D. Nimmer, 'A Riff on the Fair Use in the Digital Millennium Copyright Act', 148 U. Pa. L. Rev. 673, 712 (2000).

⁶⁰¹ S. 104, pub. L. No. 105-304, 112 Stat. 2860, 2876, <http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf>, (10 April 2011).

deletes his copy should fall within the safe harbour of the first sale doctrine, is that it is arguable that this achieves the same result as handing, for example, a copy of a DVD to another. Yet the reason why commentators disagree with this point of view, thereby arguably supporting the content providing industry's view, is that for the divestiture via the copy-send-delete mechanism the reproduction right is infringed at the outset. It is therefore submitted that extending the first sale doctrine to digital transmissions implicates by limitation the distribution right to a lesser degree than the reproduction right. Both views are seemingly valid, to the extent that;

a) purchasers of OSPs services are penalised for their actions versus their non-computerised counterparts. A consumer acquiring a film via a licensed OSP distributor in digital format is at a disadvantage to the extent that he may not sell on the film via digital transmission after tiring of it, contrary to a purchaser of a hard copy DVD; versus

b) The fact that the first sale doctrine in s.109(a) states that "notwithstanding the provisions of section 106(3), the owner of a *particular* copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." Whilst the consumer acquiring a film via a licensed OSP distributor in a digital format may not copy-send-delete due to his first sale safe harbour right pertaining to that particular copy, he may utilise means equivalent to those of purchasers of hard copies to divest himself of that particular digital copy. This in turn signifies that he may either distribute the medium on which the film has been embodied (for example a USB drive), or he may use means such as "cut and paste".

In closing commentators such as Calaba note that the doctrine must evolve digitally since not to do so would cause damage, given the increasing digital market, not only to such but ultimately also to works themselves.⁶⁰²

Calaba thereby addresses the conclusively underlying issue of scale. Whereas he uses it to bolster his proposition, this may also be used to argue against the imposition of a digital first sale doctrine, since it is arguable that in theory where

⁶⁰² V.F. Calaba, *Quibbles 'n Bits: Making a Digital First Sale Doctrine Feasible*, 9 Mich. Telecomm.&Tech.L.Rev.1,14(2002), <http://www.mttl.org/volnine/calaba.pdf>(10April 2011).

works are perfectly, instantaneously, stealthily and at low-cost reproduced globally this cannot fail to have a more significant impact on demand than transfers of physical copies, as originally anticipated. It is thus submitted that a digital first sale doctrine provides a significant imbalance in the equation previously used to justify the first sale doctrine. Moreover, referring back to the first paragraphs in this section, the question of whether the aims and justifications of the first sale doctrine still hold, also remains to be answered, which could lend further support for the instant proposition.⁶⁰³

Whilst bearing the aforesaid arguments in mind, it may however also be observed that they are theoretical, given the scale of the problem and the lack of resources to police the nonexistence of digital first sale doctrine. It is logical that this is where ideas or ideals clash with real life and market economics. There are many situations that run in parallel enforcement terms; meaning not only the scale problem with peer-to-peer piracy but also through example format shifting from CDs to MP3 players in the UK.

The relevance to OSPs of the above discussion should not be underestimated, since in an environment where the digital first sale doctrine is modified to allow for the "passing on" of, for example, MP3 music files, OSPs that are involved in such may flourish. The scale of such activity would be apparent. Where liability lies in terms of individual users that fall foul of the absence of a digital first sale doctrine, any OSPs facilitating such may stand for consideration under US 3PCL.

3) Application to OSPs and the 'Making Available' Controversy

The application of the distribution right and its first sale doctrine as it relates to OSPs may be specifically examined.

It will first of all be important that the Supreme Court held in *New York Times v. Tasini* that LexisNexis had infringed copyright owners' distribution rights regarding

⁶⁰³ U.S. Copyright Office, Digital Millenium Copyright Act: Section 104 Report, 100, <http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf> (accessed 10 April 2011).

copies by electronic transmission of their articles.⁶⁰⁴ This means that it has been affirmed that the distribution right functions in the context of electronic transmission of copyright works.⁶⁰⁵

More specifically, directly in an OSP related context, it was held in *UMG Recordings, Inc. v. Hummer Winblad Venture Ptnrs. (In re Napster, Inc.)*⁶⁰⁶ that due to the fact that the filesharing OSP, Napster, did not have works in a “collection of recordings” and that it did not transfer specifically identifiable copies, it or the investors following bankruptcy proceedings, were not liable for *direct* infringement of the distribution right. The court distinguished the situation of hosting an index of song titles without hosting the actual songs on a server from the situation in *Hotaling* where the works were physically within the library’s collection.⁶⁰⁷ It stated that contrary to the view in *Hotaling* the mere *offer* to distribute copyright works does not give rise to liability under s.106(3), in part due to the definition of “publication” in 17 USC 101.⁶⁰⁸

Thus, the court refused to hold the investors liable for secondary liability on Napster’s part caused by the direct liability of the customers infringing the distribution right by uploading filenames into the search index operated by Napster. However, concerning a theory of contributory and vicarious secondary liability predicated on users’ uploading and downloading the court held that “there is no doubt that these (...) theories are legally sufficient to establish defendants’ liability.”⁶⁰⁹

Hotaling is a seminal decision which examines the precise scope of the distribution right. It stands for the view that even without direct evidence of actual distribution a party may be held liable that has made unauthorised copies and placed these in library collections across the country, accessible to the public.⁶¹⁰ The plaintiffs argued that the libraries had *made available* the unauthorised copies and that this constituted distribution within the meaning of s.106(3). As noted above, the court

⁶⁰⁴ *New York Times Co. v. Tasini*, 533 U.S. 483 (S.Ct. 2001);
A.A.Naini, ‘*New York Times v. Tasini*’ 17 Berkeley Tech. L.J. 9 (2002).

⁶⁰⁵ *Ibid.*

⁶⁰⁶ *UMG Recordings, Inc. v. Hummer Winblad Venture Ptnrs. (In re Napster, Inc.)*, 377 F.Supp. 2d 796 (N.D.Cal. 2005).

⁶⁰⁷ *Ibid.*, 803.

⁶⁰⁸ *Ibid.*, 803, 805.

⁶⁰⁹ *In re Napster, Inc. Copyright Litigation*, 377 F.Supp. 2d 796, 806 (N.D.Cal. 2005).

⁶¹⁰ *Arista Records LLC v. Greubel*, 453 F.Supp. 2d 961, 969 (N.D.Tex. 2006).

in *Hotaling* agreed with the plaintiffs. This could be termed to be reducing the distribution right to a right of “making available” without the need to any actual follow-through receipt. This has been a point of much contention in many courts across the US.

The court in *Arista Records, Inc. v. MP3Board, Inc.* distinguished *Hotaling*, on the grounds that proof of dissemination or proof of actual use by the public is required to establish distribution.⁶¹¹

In *Perfect 10, Inc. v. Amazon. com, Inc.*,⁶¹² the court held that “deemed distribution” as in *Hotaling* did not apply to the search engine provider Google. Google, much like Napster did not have a collection of the plaintiff’s full-size works (exotic photographs) and did not communicate these to the computers of the users of the Google search engine. As in Napster, Google merely indexed which was insufficient to establish a theory of direct distribution.

It remains to be added, as regards direct infringement, that that even with more ‘advanced’ OSP filesharing technology the basic tenets remain the same. A user of the KaZaA filesharing service in *Universal City Studios Prods. LLLP v. Bigwood*,⁶¹³ was held to be a direct infringer due to having stored copyright films in shared directory which were made available to download to other users. This general contention was also supported in *Arista Records LLC v. Greubel*⁶¹⁴ as well as a line of similar cases.⁶¹⁵ It follows that Motions to Dismiss by counsels in these cases on the grounds that copyright owner Plaintiffs’ pleadings lacked specificity or particularity thereby *inter alia* referencing an insufficient pleaded standard of deemed or constructive distribution, were dismissed.

4) Compliance with WIPO Copyright Treaty: The Presence of Inconsistency

⁶¹¹ Ibid,969,citing *Arista Records, Inc. v. MP3Board, Inc.*, No.00Civ.4660(SHS),2002U.S.Dist.LEXIS16165,13-14(S.D.N.Y.Aug.28,2002).

⁶¹² *Perfect 10, Inc. v. Amazon. com, Inc.*,508F.3d1146(9th Cir.2007).

⁶¹³ *Universal City Studios Prods. LLLP v. Bigwood*,441F.Supp.2d185,188,190-191(D.Me.2006): citing *Hotaling*,(n579),203.

⁶¹⁴ *Greubel*,(n610),969.

⁶¹⁵ Ibid,969,citing *Warner Bros. Records v. Payne*,No.W-06-C051, 2,(2006)WL2844415(W.D.Tex.2006) and *Fonovisa, Inc. v. Alvarez*, No.1:06-CV-00011-C,5.

Expanding the distribution right to include either “deemed distribution” or “making available” would, some argue, bring US jurisprudence on the matter into a compliant zone regarding WCT 1996, Art. 6(1), “Right of Distribution” and Art. 8, “Right of Communication to the Public” (10 and 14 WPPT).⁶¹⁶ Yet commentators do note that the precise compliance of s.106(3) and related jurisprudence as examined above lacks clarity due to inconsistent holdings.⁶¹⁷

It was first held in *Atlantic Recording Corp. v. Brennan*,⁶¹⁸ on a Motion for Default Judgement that the motion must be denied due to a valid defence that for the distribution right to be infringed there must be *actual distribution* of a copy, which the plaintiff had omitted in its pleadings.⁶¹⁹ Concerning the sufficiency of the pleadings the court quoted *Bell Atlantic Corp. v. Twombly* “a complaint “does not need detailed factual allegations, [but] a plaintiff's obligation to provide the ‘grounds’ of his ‘entitle[ment] to relief requires more than labels and conclusions”.⁶²⁰ The court also cited a similar case dealing with a motion for default judgement, namely *Interscope Records v. Rodriguez*,⁶²¹ in which the court found that entry of a default judgement was not warranted on an insufficiently stated claim which did not include facts to show the plausibility of certain allegations of copyright infringement beyond the “bare conclusory statement that ‘on information and belief’ defendant has downloaded, distributed and/or made available for distribution to the public copyrighted works”.⁶²² The court thus railed against “speculative pleadings” as abhorred by the Supreme Court in *Twombly*.

⁶¹⁶ See J.Ginsburg, “*The(New?)Right of Making Available to the Public*”, Columbia Public Law & Legal Theory Working Papers, Paper 0478 available at http://lsr.nellco.org/columbia_pllt/0478 (accessed 13 April 2011) and J. Horsfield-Bradbury, “*Making Available as Distribution: File Sharing and the Copyright Act*”, 22 Harv. J.L. & Tech. 273 (2008-2009).

⁶¹⁷ M.A.Kuppers, *US Copyright Infringement by File “Sharing”: Statutory Damage(s): Balancing aggregated statutory damages with the constitutional guarantee of due process*, Computer law review international, 2010, n° 2, 39-43.

⁶¹⁸ *Atlantic Recording Corp. v. Brennan*, 534 F.Supp.2d 278 (D.Conn. February 13, 2008).

⁶¹⁹ *Ibid*, 282, citing 4 William F. Patry, *Patry on Copyright* § 13:9 (2007); (...); *Amazon*, (n612), 1162.

⁶²⁰ *Ibid*, 283; *Bell Atlantic Corp. v. Twombly*, 127 S.Ct. 1955, 1964-5 (2007).

⁶²¹ *Interscope Records v. Rodriguez*, Civ.No.06cv2485-B(NLS)(SDCal.2007).

⁶²² *Brennan*, (n618), 283, citing *ibid*.

Thereafter it was held in *Elektra Entertainment Group, Inc. v. Barker*,⁶²³ on a Motion to Dismiss for failure to state a claim pursuant to Rule 8⁶²⁴, which runs in parallel with the motions in *Gruebel* and many other cases, as cited above, that

a) Whereas Defendant's counsel argued that plaintiffs could not claim infringement of the distribution right without alleging an *actual transfer* of plaintiff's works by the defendant; the court noted that the great majority of courts that had considered the making available question stopped short of fully endorsing such a right⁶²⁵;

b) Distribution within the meaning of the section 106(3) equals "publication" within the meaning of section 101 and that the same, arguably somewhat problematically, applies *vice versa*; and

c) Publication, or offer to distribute, equals distribution, yet that in this instance this had not occurred due to plaintiffs' insufficient claim for further distribution. Also noting that CA 1976 does not reference 'making available'; Plaintiffs citing such thus fail to state a claim.⁶²⁶

d) despite not following a claim for a *de facto* authorisation right as a subset of the distribution right/making available right, the court entertained an amicus brief proposing an alternative route to establishing the making available right of contravention of the s.106 "exclusive right to do and to *authorise*" for example distribution. The court relied on *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*,⁶²⁷ in rejecting the arguments by agreeing with the holding that section 106 'does not create a right of authorisation independent of infringement of one of the specific enumerated rights set forth in that section'.⁶²⁸ The court further noted that the

⁶²³ *Elektra Entertainment Group, Inc. v. Barker*, 551 F.Supp.2d 234 (SD New York 2008): Opinion was issued on a Rule 12(b)(6) motion to dismiss for failure to state a claim.

⁶²⁴ Federal Rules of Civil Procedure, Rule 8, General Rules of Pleading, (a) Claims for Relief.

⁶²⁵ Citing *Greubel*, [(n610)], 969 (N.D.Tex.2006) ("[M]aking copyrighted works available to others *may* constitute infringement by distribution in *certain circumstances*." (emphasis added)); *Maverick Recording Co. v. Goldshteyn*, No.05-CV-4523, 2006 WL 2166870, 3 (E.D.N.Y.2006); (...) *see also Atlantic Recording Corp. v. Howell*, No.06-CV-2076, 2007 WL 2409549, 3-4 (D.Ariz. Aug. 20, 2007) (suggesting the viability of the "make available" argument but deciding the case based on the defendant's physical distribution of copyrighted material), *vacated on mot. for recons.*, 2007 WL 3010792 (D.Ariz.2007)."

⁶²⁶ *Barker*, (n623).

⁶²⁷ *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088 (9th Cir.1994).

⁶²⁸ *Ibid*, 1095-98.

language of “authorisation” was included by Congress to “avoid any confusion with regard to contributory infringers”.⁶²⁹ Yet holding that s.106 does not create an independent right of authorisation, and ‘thus cannot form part of a “make available” right’, the court was not being entirely clear due to the logical inconsistency inherent in this statement.

A case decided almost contemporaneously with the aforementioned was *London-Sire Records, Inc. v. Doe 1*,⁶³⁰ in which Gertner J expressly rejected equating distribution with publication,⁶³¹ requiring actual material⁶³² distribution such as an electronic file transfer, whilst rejecting an authorisation based making available theory.⁶³³

IV. The Public Performance Right

The public performance right resides in s.106(4), stating that the holders of copyright in literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works may exclusively perform such publicly. Despite the inclusion of musical works, sound recordings are not included in s.106(4). Moreover, the definition of “to perform” as per s.101 means to “recite, render, play, dance or act it, either directly or by means of any device or process.” This of course means that any edition of a work by transmission to the public is included. In particular, the right of public performance relates to playing a film via a DVD player or Digital Video Recorder,⁶³⁴ just as it is implicated by playing a MP3 file on related media.⁶³⁵ The definition also encompasses a broadcaster’s actions in transmitting either live or recorded performances. It may thus be stated that the right as defined is broad.

⁶²⁹ HR.Rep.1976,57.

⁶³⁰ *London-Sire Records, Inc. v. Doe 1*,542F.Supp.2d153(D.Ms.2008).

⁶³¹ *Ibid*,[III][IV][A][1][a].

⁶³² [III][IV][1][b][1],citing *Matthew Bender & Co.*,158F.3d,703-04 and *Tasini*,(n597),490-91, in its contention, as analysed above, that electronic files are material objects for fixation.

⁶³³ *London-Sire*,(n630):[III][IV][A][1][a].

⁶³⁴ HR.Rep.1976,63.

⁶³⁵ *Ibid*.

The most important limitation arising from the definition of the performance right is that it must be *to the public*. Some commentators have observed that the purpose of the CA 1976 was not to keep people from singing in their bathtubs.⁶³⁶

The first place to start when defining the meaning of “publicly” is naturally s.101 which states that a performance is public if it takes place; a) at a place open to public or at any place where a substantial number of persons outside of the normal circle of a family and social acquaintances is gathered; or b) where it is transmitted or otherwise communicated to such a place (or the public) by whatever means and whether the public have received it in the same or separate place(s) and at the same or at different time(s) or were indeed not capable of receiving the performance at all.

As the House Report makes clear, *Metro-Goldwyn-Mayer Distributing Corp. v. Wyatt*,⁶³⁷ was specifically legislated against in that performances in “semipublic places” including clubs, lodges, factories, summer camps and schools are public and subject copyright control. Importantly, the same report states that “a family” also includes “an individual living alone” and exempts as private that person gathering with social acquaintances.⁶³⁸

Transmissions which are defined as a “process whereby images or sounds are received beyond the place from which they are sent” may infringe the public performance right when these are to limited segments of the public - even occupants of hotel rooms or subscribers of cable television services.⁶³⁹ It was held in *Columbia Pictures Industries, Inc v. Redd Horne, Inc*⁶⁴⁰ that the definition of public must be read in one of two ways. The first concerning public places, where the size and composition of the audience was irrelevant; the second being a non-public place where the size composition of the audience is determinative.⁶⁴¹ This case concerning videocassette stores with television sets and private screening runs which could hold up to four customers, but were held to be public places, was distinguished from a case concerning hotel rooms. This was due to the fact that they are living quarters and not occupied the sole purpose of watching films,

⁶³⁶ *Leaffer*, (n464)331.

⁶³⁷ *Metro-Goldwyn-Mayer Distributing Corp. v. Wyatt*, 21 C.O. Bull. 203 (D. Md. 1932).

⁶³⁸ H.R. Rep. 1976, 63.

⁶³⁹ *Ibid*, 65.

⁶⁴⁰ *Columbia Pictures Industries, Inc v. Redd Horne, Inc* 749 F.2d 154 (3d Cir. 1984).

⁶⁴¹ *Ibid*, 158.

analogous to renting a film and watching said in one's home. The court in *Columbia Pictures Industries, Inc v. Professional Real Estate Investors, Inc*⁶⁴² held that a hotel was not publicly performing films following the installation of videodisc players in each of its rooms.

1) Addition of Digital Audio Transmissions

Due to the conspicuous omission from s.106(4) Congress passed the above mentioned DPRSRA 1995, which now in s.106(6) recognises performances and sound recordings involving "digital audio transmissions", as defined in 114(j)(6). It must be noted that such transmissions represent the only circumstances where performances and sound recordings are thus protected for performance.

As noted above, a radio station's (non-digital audio transmission) broadcast of a song will only benefit the owner of copyright in the musical work since this person may claim royalties for the performance of the musical composition, and yet the owner of a sound recording, which may be a record company or performer, does not have a claim to royalties in this respect. It should be noted in this regard that the content using industry, in this case broadcasting groups, stand to gain since they would undoubtedly view additional royalty rights as a form of tax on the performance of popular songs, which could threaten margins. Commentators have argued that broadcasters would not only have to purchase licenses from performing rights societies but also from new sound recording rights societies.⁶⁴³

a) DPRSRA Policy Analysis

It has been observed that this amendment, despite initially benefiting the holders of copyright in recordings for the playing of such on a digital home subscriptions, similar to cable television, now also stands to benefit rights holders concerning the

⁶⁴² *Columbia Pictures Industries, Inc v. Professional Real Estate Investors, Inc*, 866F.2d278 (9th Cir.1989).

⁶⁴³ R.L. Bard & L.S. Kurlantzick, *A public Performance Right in Recordings: How to Alter the Copyright System Without Improving It*, 43Geo.Wash.L.Rev.152(1974).

widespread use of the Internet to listen to music. Concerning such services without subscriptions, “nonsubscription transmissions”, Congress in 1998 with the DMCA legislated for such, subject to compulsory licensing provisions in section 114, provided such ‘non-subscription transmissions’ were not part of an *interactive* service.⁶⁴⁴ This brought certain types of ‘streaming’ via the Internet within the remit of s.114.

Some commentators view the Act as a logical and inevitable development from the arguably quite late recognition of sound recordings which were prior to 1972 excluded from federal protection. Protection that was introduced was initially against piracy and not public performance. Commentators therefore suggested that the DPRSRA was a ‘delayed legislative response’ to the concerns by the recording industry by the following bringing sound recordings into federal copyright.⁶⁴⁵ It is however also submitted that the Act was in particular a reaction to, as noted above, the advent of the Internet and digital transmissions whether via cable or wireless means.

It was also a particular concern that such media permitted subscribers or others to tailor the delivery of music that was desired in an interactive way. The user of such a service is no longer bound by traditional compilations. As mentioned, the cumulative fear was that a) consumers would simply make use of digital subscription services to listen to particular songs and that b) such consumers, with the necessary equipment, would be able to download high quality transmissions for home recording. Both factors, whether combined or independently, it was perceived, threatened certain unit based business models and the viability of the content producing industry in this regard.

b) Digital Audio Transmission Right Limitations & Compulsory Licensing

The digital audio transmission right contained in s.106(6) is subject to numerous special limitations contained in section 114(d), which apply exclusively to said right, unlike for example the fair use doctrine. S.114(d)(1) was introduced to

⁶⁴⁴ 17USC114(1).

⁶⁴⁵ *Leaffer*, (n464), 368.

enhance the relatively new digital transmission technology market, the exemption relates to “non-interactive non-subscription services” meaning a) free broadcasts in digital formats; b) selected secondary transmissions of exempted primary transmissions; and c) intra and direct to business transmissions (commercial use of recordings for example as background music). Importantly none of the exempted services are interactive. This has a significant bearing on OSP business models.

Compulsory Licensing

The performance right in sound recordings limited to digital transmissions;

- a) Exempts FCC⁶⁴⁶ licensed terrestrial broadcast stations;
- b) Subjects subscription transmissions to compulsory licensing; and
- c) Prohibits non-authorised on-demand interactive transmissions.

The licensing regime has been preliminarily examined above, and it has been noted that the DMCA also brought within the realm of compulsory licensing “eligible non-subscription transmissions” which included Internet streaming audio.⁶⁴⁷

The initial stage concerning compulsory licensing is one of voluntary negotiation, per section 114(f). Concerning the content providing versus using industry stand-off, a particular section of the content using industry, namely small and non-commercial web-casters have argued that royalty rates should be assessed differently for them given the nature of their market. It is not surprising that the recording industry suggested a per listener, per song royalty computation which the opposing content using industry of small and non-commercial webcasters viewed as being unviable. Given the disagreement, the matter was brought before the Copyright Royalty Judges (at the time, CARP) and later Congress passed the Small Webcaster Settlement Act 2002⁶⁴⁸ (SWSA 2002) imposing an alternative non-

⁶⁴⁶ See [http://www.fcc.gov/\(14May2011\)](http://www.fcc.gov/(14May2011)).

⁶⁴⁷ See *Bonville Int’l Corp. v. Peters*, 347F.3d485(3dCir.2003) (copyright office: FCC licensed broadcasters transmitting their usual AM or FM radio broadcast on the Internet not exempt from the limited public performance right and therefore the compulsory license provisions).

⁶⁴⁸ Small Webcaster Settlement Act 2002 Pub.L.107-321,116Stat.2780(2002).

permanent computation.⁶⁴⁹ Problems are likely to surface again given the indispensability of future negotiations.

V. The Right of Public Display

The right of public display is detailed in s.106(5), and applies to all categories of subject matter *except* sound recordings and architectural works. The right details that the right holder is exclusively licensed to *display the work publicly*, being within the meaning of display recorded in s.101 specifically; showing a copy of the work either directly or by means of a device or process and in the case of a motion picture or other audiovisual work, to show individual images non-sequentially. As with the aforementioned public performance right, the right of public display includes the same limitation of the exercise of the right having to be “in public”. The meaning of this is the same for both rights.

A display shall be deemed public as and when it is transmitted to the public irrespective of whether individual members receive it in the same place or separate places as well as at the same time or at different times. In *Playboy Enterprises v. Frena*,⁶⁵⁰ the court was dealing with a display right which was directly infringed by subscribers to a bulletin board by uploading photographs, the copyright to which was owned by Playboy, which were displayed by the defendants, which in turn directly violated the public display right. It follows that public display within the meaning of the Act may occur not only by traditional means such as television but also by the Internet. In this case the defendant was held to publicly display the copyright protected photographs due to displaying these to subscribers since such were “a substantial number of persons outside the normal circle of family and its social acquaintances”.⁶⁵¹

Three practices have been of particular concern, namely “linking”, “framing” and “pop-up advertising”.⁶⁵² The limitation of this thesis is to music and film, however

⁶⁴⁹ 17 USC 114(F)(5)(A).

⁶⁵⁰ *Playboy Enterprises v. Frena*, 839F.Supp.1552(M.D.Fla 1993).

⁶⁵¹ *Ibid.*, 1557.

⁶⁵² *Leaffer*, (n464), 373: “Framing” has been described as “a technique whereby the current website includes its own bands and other content as they “frame” around images or text

these practices may be incidental to those infringing rights of works specifically focused on. These practices are however for the most part limited to direct liability on the part of the OSP.

Concerning “linking” and “framing” it was held in *Kelly v. Arriba Soft Corp.*,⁶⁵³ that the defendant software company had infringed a photographer’s display right by issuing links to websites hosting photographs and in turn framing these on the defendant’s website. Despite having to vacate this part of the opinion due to this issue not having been raised in the lower court, the same court a year later held that the mentioned thumbnails on the defendant’s website constituted fair use.⁶⁵⁴ The issue of fair use will be looked at in detail below.⁶⁵⁵

Concerning “pop-up advertising” the contention that sellers of software for example, which when installed by users *inter alia* provided pop-up advertising to rival particular offers, were infringing the copyright owner’s rights to exclusive display, was refused by the courts.⁶⁵⁶ In *1-800 Contacts, Inc. v. WhenU.com*,⁶⁵⁷ plaintiffs alleged that users had been given a licence to “use and display its website but not to change its appearance in any way and therefore that delivering pop-up advertising while the user views the plaintiffs website, arguably creating a new screen display that incorporates the plaintiffs the copyright work, infringes the plaintiffs exclusive right to display said work. Naturally, the court rejected this contention, holding that a right to unobstructed websites/programs would impermissibly make many users and software developers liable for 3PCL.⁶⁵⁸

1) Limitation on Display Right: Lawful Copies

from third-party site. And “in-line link” works in the same way, in that the code tells the site to go to another site and display the image from that third-party site. The website does not copy the image or text from the third-party site, but rather has code which tells the site to go to another URL (uniform resource locator) and display that image.

⁶⁵³ *Kelly v. Arriba Soft Corp.*, 280F.3d935(9th Cir.2002).

⁶⁵⁴ *Kelly v. Arriba Soft Corp.*, 336F.3d811(9th Cir.2003).

⁶⁵⁵ Part3,ChapterD(I).

⁶⁵⁶ *See In re Gator Corp. Software Trademark & Copyright Litig.*,259F.Supp.2d1378 (J.P.M.L.2003); *Fargo & Co. v. WhenU.com,Inc.*,293F.Supp.2d734,739–40(E.D.Mich.2003); *U-Haul Int’l, Inc. v. WhenU.com, Inc.*,279F.Supp.2d723,725(E.D.Va.2003).

⁶⁵⁷ *1-800Contacts,Inc. v. WhenU.com*,309F.Supp.2d467(S.D.N.Y.2003),rev’d on other grounds,414F.3d400(2d Cir.2005).

⁶⁵⁸ *Ibid*,485(S.D.N.Y.2003).

The first sale doctrine, s.109(c) positively allows owners of lawful copies to display such publicly whether directly or by projection of no more than one image at a time to viewers present at the place where the copy is located. The purpose being a limitation to 'live' displays. This exemption does not apply to transmissions to members of the public from one computer to another.

2) Other Limitations on Display Right

S.110's exemptions for performances also apply to displays, such as face-to-face teaching (110(1)), instructional broadcasts (110(2)) and religious services (110(3)) as well as public receptions of transmissions (110(5)). Moreover exemptions in s.111 concerning secondary transmissions by cable television systems and 118 concerning performance displays copyrighted works made in connection with particular activities by public broadcasting stations also apply.

VI. The Audio Home Recording Act 1992

The AHRA 1992 further extended the protection afforded since the landmark *Sony* ruling that private home taping of copyright works for timeshifting purposes constitutes fair use. The content producing industry was particularly concerned with the impact that tapes had unexpectedly had and were thus even more concerned by digital audio recording technologies which allowed the user to make almost perfect copies faster and with less effort. Whereas the digital audio tape (DAT) did not prove its worth on the market with consumers, the subsequent format known as "MiniDisc" introduced in 1990 was, the content producing industry feared, capable of becoming a serious threat due to the fact that, unlike normal compact discs (CDs), mini discs were able to record copies of works in digital formats quickly, efficiently and at low-cost.

Arguably because of the expensive litigation surrounding home taping as exhibited by *Sony* the music and electronics industry negotiated an "*entente cordiale*" which

was finalised in 1991 and subsequently the basis for the AHRA 1992. Some commentators have noted that this Act was the first of its kind; a negotiated, *sui generis*, legislative undertaking. It is also noteworthy for not only providing an additional compulsory license but also for creating, 'para-copyright', as well as restraining technology at source, and not the end use of it. This careful approach of, in particular from a content providing industry perspective, tackling the causes of diminishing sales at the root, is a school of thought that can be observed also from Part 2 and the DEA 2010.⁶⁵⁹

Main provisions

AHRA provisions are a now part of the CA 1976; s.1008 prohibits infringement actions based on the manufacture, importation or distribution of digital audio recording devices, media or analogue recording devices or media based on the non-commercial use by consumers of such for making musical recordings. This was the main concession by the content producing industry which in turn required, in s.1002, the incorporation of certain copying controls concerning second generation digital copies, and specified in ss.1003-1007 the payment of compensatory royalties to music creators and copyright owners.

The compromise therefore is clear; the electronics industry is permitted to import digital audio recording technologies without fear of subsequent litigation, where it complies with the copying control requirement and contributes to the royalty scheme, along with any commercial importers. This negotiated resolution reflects both the industry desire for legal as well as commercial certainty for both parties involved. A parallel is therefore also drawn with the situation in the UK concerning 3PCL, here both industries would benefit from similar certainty. Taking this approach to another level, it is ultimately the stock markets and thus actual or prospective shareholders of companies at the heart of such friction that impose directly or indirectly on the management and subsequently legal counsel the desire to avoid unplanned losses in revenue and/or profits.

Currently, in the event of a dispute, the Copyright Royalty Judges, as governed by s.1007, shall adjudicate. However pursuant to s.1009, interested parties may bring a civil action in the appropriate US District Court, and persons injured by a violation

⁶⁵⁹ Part2,ChapterD(VI)(1).

may also bring such for actual damages. The courts may at their discretion add up to 50% of actual damages additionally.⁶⁶⁰

VII. P.R.O.T.E.C.T. I.P. Act 2011 (Bill)

“Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011” (PROTECT IP Act), is a renewed federal legislative effort following the recently failed “Combating Online Infringement and Counterfeits Act” (COICA). The intention here is to briefly state that there is intent amongst certain parties in the US legislative body to pass legislation enhancing enforcement against “rogue” websites, *inter alia* requiring domain name system providers, indexing services, financial transaction providers to as relevant block or otherwise disable access or service to such, upon court orders.⁶⁶¹ The precise contents of the instant Bill will not be analysed due to the fact that it has not yet been passed and it is unlikely to pass in its current form; but it is important to note that the content providing industry is likely to benefit from such or similar proposals, sooner or later. The affected content using industry, as represented by Google, has indicated that it will “take action” against such measures, yet what this entails is at present not clear.⁶⁶²

VIII. Conclusion including Comparison

Before concluding primary copyright liability intrinsically, and in comparison to Part 2, it is worth noting what commentators have generally observed; namely that the Internet has affected the use and development of US copyright in a way that breaks down some of copyright law’s careful constructs. Whereas it has been observed in this thesis that copyright law has evolved as a response to technology, some of the legislative responses have deliberately borne in mind the dual need to

⁶⁶⁰ 17USC1009(d)(1)(A)(ii).

⁶⁶¹ (Bill) PROTECT IP Act2011,s.3(d).

⁶⁶² J.Halliday, ‘Google boss: Anti-Piracy laws would be a disaster for free speech’(Guardian 18May2011),[http://www.guardian.co.uk/technology/2011/may/18/google-eric-schmidt-piracy\(30May2011\)](http://www.guardian.co.uk/technology/2011/may/18/google-eric-schmidt-piracy(30May2011)).

both protect innovation via copyrighted works and technology. An oft cited example is the DPRSA,⁶⁶³ which despite attempting to delineate “digital phonorecords delivery” in a self-contained manner, arguably leaves scope in particular in this regard for parties to characterise online services as either user requested delivery (no performance fees due to interactivity), or performances (mechanical royalties exemption).⁶⁶⁴

In concluding the above section both intrinsically and comparatively, certain significant aspects pertaining to the various rights attached to the categories examined in the preceding part may be investigated. Before doing so it is worth remembering that as in Part 2, primary infringement relates to the unauthorised actions of users of OSP services as well as, in some instances, the OSP itself. However, unlike in the UK there is no terminological inconsistency arising requiring clarification; “secondary copyright infringement” being 3PCL in the US.

The statutory framework of exclusive rights and exceptions to such, mirrors that in the UK, despite providing for more detailed, and arguably in particular regarding fair use, more wide ranging limitations.

1) Reproduction

Whereas concepts such as proof of unauthorised copying and the *de minimis* doctrine are substantially similar, mechanical licenses and copyright royalty tribunal/panels contribute to the US system’s difference in regard to the attempted balancing of the competing industry/social interests. Anti-competitive impacts of the UK copyright system on the social and commercial landscape were certainly never as directly considered, nor remedies as forcefully implemented, as in the US. It is, from a UK perspective quite remarkable that mechanical licenses encompass “digital phonorecords delivery”.⁶⁶⁵ At the same time however the negotiation of the compulsory licenses noted above between the competing industries set an equally noteworthy example of cost-effective compromise.

⁶⁶³ Although this fact, feeding through from the Constitution, is also mirrored in the legislative commentary to, and in essence ‘set up’ of, the DMCA.

⁶⁶⁴ *Nimmer*, (n477), [8.24[B]].

⁶⁶⁵ Following the DPRSA; s.115(c)(3).

2) Distribution

Concerning the US distribution right, it as has been noted above that the first sale doctrine causes significant commentary concerning its non-application to digital transmissions. This is likely to remain an important discussion point given the increasing quantity of digital content. However, in the interest of maintaining balance between the competing industries it would be prudent not to extend the doctrine to the digital arena. The nature of the digital distribution is likely to, at the very least, continue to have a more profoundly negative effect on the content providing industry than consumers, or the content using industry.

The distribution right in the US is also problematic in terms of its scope, in particular regarding “making available”. Whereas *Hotelling* in particular stands for the contention that making available insufficient liability to be incurred, “deemed distribution” or, the mere “offer to distribute” has been held to be insufficient in OSP related contexts. It may thus be concluded that the distribution right is arguably dissimilar, being narrower by not including “making available” or similar terminology and rights, to that required by relevant WIPO treaty provisions.⁶⁶⁶ This is in contrast with the position in the UK, where a distribution right exists separately from the communication to the public/making available right as suggested by the WIPO Treaties, directed by the EUCD and nationally implemented.⁶⁶⁷

3) Public Performance & Display

The right of public performance in the US differs markedly in from that in the UK. In the UK, s.19 CDPA 1988 covers literary, dramatic and musical works as well as sound recordings, films and broadcasts for performances, showing and playing such in public. Excepted from infringement however is ‘the person sending the

⁶⁶⁶ Art.8 WCT; Arts.10,14 WPPT.

⁶⁶⁷ *Supra*; EUCD,art.3;CDPA 1988,s.20.

visual images or sounds'.⁶⁶⁸ This means that broadcasters, but also OSPs, are exempted from liability in this regard.⁶⁶⁹ This is why the right was not analysed in Part 2; yet partly also because this thesis in examining 3PCL for music and film related infringements by OSPs, even were liability not be excepted, is not concerned with *public* infringements, 3PCL arising from such facts and circumstances being less relevant.

The US public performance right in s.106(4), despite including musical, motion pictures and other audiovisual works, initially did not cover sound recordings. Despite being able to note that transmissions received in homes are capable of being public performances, where the composition of the audience warrants such a finding,⁶⁷⁰ this is likely to be rare both intrinsically and in an OSP context. The introduction of liability for performances of sound recordings occurred as a result of the DPRSRA introduced category of 'digital audio transmissions'.⁶⁷¹ Importantly for both industries concerned, on-demand interactive transmissions are not subject to compulsory licensing, as compared to non-interactive, subscription and non-subscription, transmissions, including 'streaming' audio.

The US right of public display can be said to be logically analogous to the US right of public performance, yet instead concerning the public display of most subject matter, except sound recordings. In an OSP context this right can be touched upon where the OSP 'links' or 'frames' a work. There are however several limitations on the right, as discussed.⁶⁷²

Therefore, in OSP contexts the US public performance right, as well as digital audio transmissions, are arguably more akin to the UK communication to the public/making available right, which caters specifically to on-demand internet scenarios and includes music, film and sound recordings. The right of public display however corresponds more directly to the UK public performance right which includes showing works in public, as well as the communication to the public right.⁶⁷³

⁶⁶⁸ CDPA 1988 s9(1),(3).

⁶⁶⁹ But see s.20 CDPA 1988(Communication to the public; including broadcasting).

⁶⁷⁰ But note *Professional Real Estate Investors, Inc.*, (n642).

⁶⁷¹ Sections 106(6); 114(j)(6).

⁶⁷² 17 USC ss.110,111,118.

⁶⁷³ CDPA 1988 ss.19,20.

4) The Audio Home Recording Act 1992

The AHRA 1992 was discussed in the US primary infringement section due to its unique limiting trade-off. The Act prohibits infringement actions based on the manufacture, importation and distribution of recording devices or media for non-commercial use by consumers in respect of music recordings in return for copying controls and compensatory royalties. Despite this Act being targeted at primarily primary infringement, it may validly be compared to the DEA 2010. Whereas the AHRA 1992 was an openly negotiated sui generis legislative undertaking, the DEA 2010 is more the legislative outcome of content producing industry lobbying, which is not to discount the value of the Digital Britain Report or consultation process. This is partly because the primary aim of the DEA 2010 concern is not primarily the content using industry but its customers. Therefore, to the extent that the ISP industry took part in the consultation process this was for its own ends, which are undoubtedly not synonymous with that of its users. The equivalent to the AHRA 1992 would have been an “alternative” DEA that would have permitted non-commercial use of film, music, and sound recordings in exchange for compensatory royalties, paid for and administered in the first instance by ISPs and OFCOM respectively. Although it may tentatively be observed that the purpose of the AHRA 1992 was to combat secondary recordings, whereas such an “alternative” DEA would perhaps more directly compete with legitimate sales, not least because of the scope involved. On the other hand, given that the DEA 2010 primarily combats peer-to-peer filesharing and does little to interfere with other means of infringement such as pirate directories, such a consensual settlement could potentially benefit the content producing industry immediately. It is however likely that such negotiations would fail simply because the content providing industry possesses insufficient legal weight in terms of threatened actions against ISPs. Under the circumstances such compensatory royalties would have to be contributed to by OSPs engaging in unauthorised activities, which would in turn have to be policed by the ISP and perhaps administered by OFCOM. Yet further complications arise due to the global nature of the medium; why or how would OSPs not based in the UK, but whose services are available in the UK contribute to such a fund? Given the above discourse, it perhaps regrettably

becomes obvious that the AHRA 1992 is likely to remain a pinpoint solution, since it is indeed easier to nationally target domestic end users. Although in principle, there is no reason why ISPs could not collect compensatory royalties from non-commercial customers, leaving aside questions of computation and the perhaps not so hypothetical non-infringing ISP customer.

Given the above, it must be stated that as relevant to validating the central 3PCL comparison and proposals for reform, both regimes are largely similar and operate in a similar fashion.

C. Third-Party Liability for Copyright Infringement

Having examined relevant categories of works and particular rights attaching to such in Chapters A-B, the central element of this thesis, namely third-party copyright liability will be turned to. As in Part 2, 3PCL (“secondary liability”) will first be delineated and placed into context with other general, but related torts. Thereafter, the main secondary liability theories will be analysed in detail, namely; vicarious, contributory and inducement liability. Each of these sections includes an intrinsic conclusion, as noted above, the comparison being reserved for Part 4, to allow for provision of immediate and adequately positioned of proposals. This Chapter also includes an essential discussion of the DMCA, including a conclusion and comparison to the UK.

I. Secondary Liability Delineated

The above discussion of primary copyright infringement has provided the basis upon which US 3PCL may hold certain secondary infringers/third parties liable for copyright infringement, additionally such liability has been compared to that in the UK, and certain differences highlighted. It is logical and permissible to therefore now examine what lies at the heart of this thesis, namely 3PCL with a view to a successive comparison, as conducted in Part 4. In conducting this examination

3PCL in the US will first be delineated, its origins and justification explored. This provides that the relevant basis and understanding for the separation of several different strands of classic third-party copyright and related liability, which are analysed in the following three successive subsections. This discussion is consciously immediately followed by a discussion of the DMCA including reasons for enactment and, crucially, certain tailored limitations thus arising. This section also includes two intermediate and intrinsic conclusions to the main categories of 3PCL, providing an essential contribution to Part 4 which contains a final comparative conclusion and proposals concerning 3PCL.

1) General Statutory Legitimation & Origin

Unlike the CDPA 1988 discussed in Part 2, which includes provisions for what is termed “secondary liability”⁶⁷⁴ and which must be distinguished from 3PCL in the broadly applicable tort-based sense, which is of particular interest to this thesis – the CA 1976 at its passage did not include any references to either “classical” UK “secondary liability” or actual tort-based 3PCL. Whereas 3PCL was added in 1984, this was and is only applicable in the limited, *sui generis*, context of semiconductor chip protection.⁶⁷⁵ This approach differs from that taken in the field of patent protection in the in the US, where those deemed to be “contributory infringers” can be held liable.⁶⁷⁶ This will be relevant as discussed below,⁶⁷⁷ given the importation of this concept into copyright law.⁶⁷⁸

Despite the lack of specific provisions regarding 3PCL, the 1976 House Report discusses the inclusion of amendments to exempt proprietors of certain establishments such as nightclubs from liability for copyright infringement committed by independent contractors, for example disc jockeys, but as the Report also makes clear, this was rejected. The principle is well established that one who violates any of the exclusive rights of a copyright owner, whether on a

⁶⁷⁴ Part2,ChapterD(I)(1).

⁶⁷⁵ 17 U.S.C. § 905(3) inducement of or knowingly causing, reproduction, importation or distribution.

⁶⁷⁶ 35U.S.C.271(b).

⁶⁷⁷ Part3,ChapterC(IV).

⁶⁷⁸ 35U.S.C.271(b) inducement liability and; (c) importation, staple article of commerce doctrine-substantial non-infringing uses, contributory liability.

primary or secondary “related or vicarious infringer” basis, will be liable; no justification existed in the eyes of Congress for the changing of the law to include in such instances “significant erosion of the public performance right”.⁶⁷⁹

However, as numerous commentators note, the position of liability for the acts of infringement by others has been recognised for quite some time in the US. Commentators however are loth to put a specific date on the first copyright case incorporating such. Most state that this particular extension of liability goes back several decades or by “a long series of cases under both the 1909 Act and the Current Act”.⁶⁸⁰

As formulated by the US Supreme Court in *Sony* absence of specific statutory references do not hinder an imposition of 3PCL, general third-party tort liability being well established.⁶⁸¹

Yet some argue that the *legitimation* for the imposition of such can also be derived from s.106 which grants the author the right to *authorise* others to capitalise on certain exclusive rights.⁶⁸²

In terms of providing delineation, recourse may also be had to the helpful dictum in *Arista Records LLC v. Lime Group LLC*.⁶⁸³ Judge Kimba helpfully for present purposes observed that, in general terms, 3PCL may imposed on parties not taking direct part in direct infringements of copyright by others, but playing a significant role in such. He clarified that the role of secondary liability⁶⁸⁴ “is that a party who distributes infringement-enabling products or services may facilitate direct infringement on a massive scale, making it “impossible to enforce [copyright protection] effectively against all direct infringers.” In such circumstances, “the only practical alternative is to go against the distributor of the copying device for secondary liability.” Going on to explain that to recover on a claim of secondary liability, it must be shown that a third party committed direct infringement, which

⁶⁷⁹ HR.Rep.,1976,159.

⁶⁸⁰ *Nimmer*,(n477),[12.03[A]],under the 1909 Act, but *oddly* citing *Grokster*(2005); *Gorman*,(n455),131,citing a 1988 case.

⁶⁸¹ *Sony*,(n8),435.

⁶⁸² Leaffer’s couching of this fact in terms of a *derivation* disregards the well-established principle of 3PCL in general tort law as well as patent law.

⁶⁸³ 715F.Supp.2d481(SDNY2010).

⁶⁸⁴ *Ibid*, 507 citing *Grokster*, 545 U.S. at 929-30, 125 S.Ct. 2764; *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 434-35, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984).at 930, 125 S.Ct. 2764 (citing *In re Aimster* (n21), 645-646).

involved proving, as noted above, that Plaintiffs owned the copyright(s) at issue and such were infringed inter alia by unauthorised copying or distribution.

Having delineated the legal justification for the imposition of theories related to 3PCL, a delineation of 3PCL from a linked general and corporate tort law point of view is indicated.

II. Tort Agency and Corporate Classification Theories

The doctrine of *respondeat superior* are at this juncture serves to provide further delineation for the discussion below. As noted in Part 2, the concept that a master can be held liable for his servant is a well tested principle⁶⁸⁵ that is similar in the US.

A case best illustrating this principle is *Bradbury v. Columbia Broad. Sys., Inc.*,⁶⁸⁶ where an employee's infringement of the reproduction right lead to be liability of the employer. Some commentators have quite aptly compared the thinking behind agency principles to that of a work for hire, where the "author" may have physically caused the creation of a work, but is not the sole cause of it.⁶⁸⁷

Importantly for this thesis and for OSPs in particular, it is the corporation family,⁶⁸⁸ and certain officers⁶⁸⁹ that can be held liable as third-party defendants in the event of a 'substantial and continuing connection'⁶⁹⁰ between them and the requisite infringing acts. Officers of the infringing corporation can be personally liable where such, for example, one of the founders of Google,⁶⁹¹ were to do any of the following:

⁶⁸⁵ Part2,ChapterD(II).

⁶⁸⁶ *Bradbury v. Columbia Broad. Sys., Inc.*,287F.2d478(9thCir.1961).

⁶⁸⁷ *Nimmer*,(n477),[12.04[A][1]].

⁶⁸⁸ *Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*,886F.2d1545,1553(9thCir.1989),cert. denied,494U.S.1017, (1990).("substantial and continuing connection"); under 1976 Act *Banff, Ltd. v. Limited, Inc.*,869F.Supp. 1103,1108–10(S.D.N.Y.1994).

⁶⁸⁹ *Adventures in Good Eating v. Best Places to Eat*,131F.2d809, 813-14(7thCir.1942) citing *Dangler v. Imperial Mach. Co.*,11F. 2d945,947(7th Circuit 1926);under 1976 Act; *Redd Horne*,(n635),166–61,(Zenys).

⁶⁹⁰ Legal standard; *Frank Music Corp.*(n688),1553.

⁶⁹¹ Popular OSP,see www.google.co.uk.

- a) Take part in infringing acts beyond mere corporate capacity, requiring sufficient involvement in operation and right and ability to control actions of corporation;⁶⁹²
- b) Utilise the corporation as a shell for infringements;⁶⁹³
- c) Be a dominant influence thereby ultimately dictating infringing strategies/plans;⁶⁹⁴
- d) Be a major shareholder/stakeholder obtains financial benefit from the infringement in question; or⁶⁹⁵
- e) Act in a way that combines any or all of the attributes in (a)-(d).⁶⁹⁶

This means however that where individuals, whether board members or company secretaries, perform administrative duties *without* any significant control, also defined as the right and ability to supervise,⁶⁹⁷ over operations or particular decisions regarding infringing acts such officers will not be held liable.⁶⁹⁸ This can also be rephrased into the statement that individuals in corporate functions will not be liable where they assisted in the infringement of copyright purely by being in their corporate function.⁶⁹⁹

⁶⁹² *Burdick v. Koerner*, 988F.Supp.1206,1210(E.D.Wis.1998). Very misleadingly used by *Nimmer*, (n477), [12.04[A][1]].

⁶⁹³ *Adventures*, (n682), 813; citing *Dangler*, (n682) 947.

⁶⁹⁴ *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Ass'n*, 423F.Supp.341(D.Mass.1976), *aff'd*, 554F.2d1213,1214-1215(1st Cir.1977) citing various rejections of independent contractor theories. *Rohauer v. Killiam Shows, Inc.*, 379F.Supp.723,(S.D.N.Y. 1974)(No evidence D "alter ego" and "completely dominates and controls [the corporation's] operations and is the sole beneficiary of its acts".) *rev'd* on other grounds, 551F.2d484(2d Cir.1977), *cert. denied*, 495U.S.207(1977).

⁶⁹⁵ *Boz Scaggs Music v. KND Corp.*, 491F.Supp.908(D.Ct1980)(corporate vice president and full-time manager of a radio station was jointly liable with the corporation because he had a direct stake in the financial success of the station and he oversaw the station's daily operation).

⁶⁹⁶ *Southern Bell Tel. & Tel. v. Associated Tel. Directory Publishers*, 756F.2d801,811(11th Cir.1985)citing *Lauratex Textile Corp. v. Allton Knitting Mills, Inc.*, 517F.Supp.900,904(S.D.N.Y.1981):referring to *United Feature Syndicate, Inc. v. Sunrise Mold, Inc.*, 569F.Supp.1475(S.D.Fla.1983); *Stewart v. Southern Music Distributing Co.*, 503F.Supp.258(M.D.Fla.1980).

⁶⁹⁷ *Playboy Enterprises, Inc. v. Starware Pub. Corp.*, 900F.Supp.438,441(S.D.Fla.1995)(Pres's supervisory abilities concerning sale, advertise and production of infringing computer desk; concomitant right to stop such).

⁶⁹⁸ *Van Halen Music v. Palmer*, 626F.Supp.1163,1167(W.D.Ark.1986)(company secretary, administrative duties, without significant control, no evidence of particular related decisions).

⁶⁹⁹ *Buck v. Newsreel, Inc.*, 25F.Supp.787,789-790(D.Mass.1938).

It will be important to distinguish between officers of corporations and mere employees. Employees generally do not conduct management or executive functions. As such, they will not be liable were infringements occurred that were required, *without* discretion, by a contract of employment.⁷⁰⁰ The reverse is also true and can lead to joint and several liability.⁷⁰¹

Lastly, one may wish to distinguish company law theories from copyright law theories of 3PCL. As one commentator explains “utter dominance of one corporation by another could lead to direct liability under an alter ego theory. By contrast, related defendants become liable indirectly”.⁷⁰²

Having but briefly delineated the origins of copyright 3PCL and distinguished them from corporate theories of liability, it is now logical to examine the former in depth, for a comparison with the 3PCL section in Part 2.

III. Vicarious Liability

Accordingly, vicarious liability will be examined first and should be distinguished from the other kinds of liability examined below, namely, contributory and inducement liability. If one wished to offer a potted explanation of vicarious liability, one could adopt Lichtman & Landes’s definition and rationale that:

Vicarious liability applies in situations where one party — often an employer — has control over another and also enjoys a direct financial benefit from that other’s infringing activities. A typical case arises where an employer hires an employee for a lawful purpose, but the employee’s actions on behalf of the employer lead to copyright infringement. One rationale for imposing liability in this instance is that the employer should be encouraged to exercise care in hiring, supervising, controlling, and monitoring its employees so as to make

⁷⁰⁰ *Leon v. Pacific Tel. & Tel. Co.*, 91F.2d484,487(9th Cir.1937)(Reverse logic from female employee D, one Dagmar Leon, with “discretion, judgment, or responsibility as to the conduct of the business”).

⁷⁰¹ *Syscon, Inc. v. Vehicle Valuation Servs., Inc.*, 274F.Supp.2d975,976–977(N.D.Ill.2003).

⁷⁰² *Nimmer*, (n477), [12.04[A][1]]; citing in particular *King Records, Inc. v. Bennett*, 438F.Supp.2d812,851 (M.D.Tenn.2006).

copyright infringement less likely. Another is that it is usually cheaper for copyright holders to sue one employer rather than suing multiple infringing employees. A final rationale is that liability helps to minimize the implications of bankrupt infringers. An employee cannot compensate an injured copyright holder if that employee does not have adequate financial resources. Indirect liability solves this problem by putting the employer's resources on the line, thereby increasing the odds that the harm from infringement will be internalized.⁷⁰³

Vicarious liability developed as an "outgrowth of agency principles involving the concept of *respondeat superior*".⁷⁰⁴ Upon reviewing the component parts this can be verified; as in *Shapiro, Bernstein & Co. v. H.L. Green Co. (Green)*, there are two independently⁷⁰⁵ demonstrable elements; a) "the right and ability to supervise the infringing conduct" and b) "an obvious and direct financial interest in exploitation of copyrighted materials".⁷⁰⁶ Importantly, knowledge or direct participation in the infringing acts is not required.⁷⁰⁷

One of the most litigious areas prior to the era of digital copyright infringement was that of landlords and liability in dancehall or similar contexts where infringements occurred. This also explains the above quote from the 1976 House Report considering an inclusion of vicarious liability exemptions and the concomitant rejection of such. Most of the landlord cases revolve around owners of entertainment venues actively operating or supervising such and various agents, such as orchestras or jukeboxes, infringing copyright.⁷⁰⁸ Contentiously however, some cases strayed into the area of liability where infringement occurred on a more removed basis; a) without a particular landlord's authority and against

⁷⁰³ D. Lichtman & W. Landes, Indirect Liability for Copyright Infringement: An Economic Perspective, 16 Harv. J. L. & Tech. 395, 398 (2003).

⁷⁰⁴ Leaffer, 431.

⁷⁰⁵ H.R. Rep. 1976, 159; *Broadcast Music, Inc. v. Behulak*, 651 F. Supp. 57, 59-60 (M.D. Fla. 1986).

⁷⁰⁶ *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963). Oft cited as *ultima ratio*, but also referring to the earlier *De Acosta v. Brown*, 146 F.2d 408 (2d Cir. 1944), *cert. denied*; *Hearst Magazines v. De Acosta* 325 U.S. 862, 65 S.Ct. 1197, 89 L.Ed. 1983 (1945) and even earlier *M. Witmark & Sons v. Calloway*, 22 F.2d 412, 414 (E.D. Tenn. 1927) as well as Study No. 25, Latman & Tager, "Liability of Innocent Infringers of Copyrights", prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Comm. on the Judiciary, 86th Cong., 2d Sess. 146 as well as the "legion" of dancehall cases.

⁷⁰⁷ *Shapiro*, (n706), 307.

⁷⁰⁸ *Nimmer*, (n477), [12.04[A][1]].

orders;⁷⁰⁹ and perhaps a little less contentiously, b) where a landlord received rent on the basis of a percentage of the revenue arising from a tenants sale of infringing works *and* where said had the right and ability to supervise.⁷¹⁰

The transformation of the use of the vicarious liability rules in the dancehall cases can now be analysed and commented upon, step-by-step, in a more modern context.

1) Financial Benefit

Concerning the state of vicarious liability, which builds upon the concepts discussed above, as it is relevant to OSPs in particular, several cases may be looked at. In making this transition, a case with a more relevant factual situation is *Fonovisa, Inc. v. Cherry Auction, Inc.*⁷¹¹ Cherry Auction operated a swap meet in Fresno, California, where infringing recordings, including Fonovisa's Latin/Hispanic music recordings, were sold by vendors. Cherry Auction received various fees from vendors selling infringing goods, as well as customers wishing to attend. They supplied parking, conducted advertising and maintained the right to exclude any vendors. The court held Cherry Auction vicariously liable, stating that the defendant reaped substantial financial benefits from the various fees/sales, despite being low,⁷¹² all of which flowed directly from customers wishing to purchase cheap recordings that infringe copyright.⁷¹³ The court did not wish to distinguish *Green*.⁷¹⁴ It used terminology in connection with the availability of infringing works as being a "draw" to customers, as in the dance hall cases.⁷¹⁵

It is worth looking at two further cases to clarify that inconsistent approaches have been part of the relevant case history, elements of which could be argued again. The first case is *Adobe Sys. Inc. v. Canus Prods., Inc.*,⁷¹⁶ in which the court examined a computer software producer's, Adobe's, claims that the proprietors of weekly

⁷⁰⁹ *Famous Music*, (n694), 1215.

⁷¹⁰ *Shapiro*, (n706).

⁷¹¹ *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

⁷¹² Well below the 10-12% in *Green*; *ibid*, 263 (9th Cir. 1996).

⁷¹³ *Ibid*, 263-264.

⁷¹⁴ *Ibid*, 263.

⁷¹⁵ *Ibid*, 263.

⁷¹⁶ *Adobe Sys. Inc. v. Canus Prods., Inc.*, 173 F. Supp. 2d 1044 (C.D. Cal. 2001).

computer fairs in Southern California, collectively “National”, were liable under theories of 3PCL for selling unauthorised Adobe products. Despite the fact that 38,000 counterfeit recordings were seized and 100 unauthorised computer programs existed at one show alone, the court determined that in terms of *direct* financial benefit the facts were not analogous to *Fonovisa*, above, where the market had been “saturated with counterfeit recordings, and, indeed, the swap meet draw was to provide a venue for the purchase of counterfeit recordings”.⁷¹⁷ Remarkably also, the court held that due to the size of the fairs, with the larger scope of infringement, and inability to identify infringing product, National was not liable under a theory of vicarious infringement.⁷¹⁸

Adobe should be compared to *Perfect 10, Inc. v. Cybernet Ventures, Inc.*,⁷¹⁹ which was heard in the same court, also refers to *Adobe*, but was decided, some argue, rather differently. The case concerned a well-known, in terms of litigiousness, adult entertainment company copyright holder that alleged that an OSPs running a web service called “adult check” had allowed users unauthorised access to 10,000 images, out of an approximate total of 20 million images on affiliated websites. Here, the court held that “the fortunes of the site and Cybernet are sufficiently tied to create the requisite *direct* financial benefit” in doing so it applied the statement in *Adobe* that a “small number of infringing articles was insufficient to support a conclusion that these items provided “a significant role” in bringing consumers to the fairs”.⁷²⁰ Some commentators have noted that the figure of 10,000 out of 20,000,000 images should be viewed in context, and did not warrant a decision that these could be “a significant draw” as argued by Perfect 10.⁷²¹ The reverse point of view is also possible, that 10,000 images are just that. This is arguably supported, bearing in mind the percentage quantification element of those that disagree with the *Cybernet* court, by the case examined in the next paragraph. Concerning the right or ability to control, it was held on the facts that the defendant, like the swap meet in *Fonovisa*, “not only has the right to terminate Webmasters at will, it controls consumer access, and promoted services.”⁷²² This appears unproblematic, yet some might argue that a very large scale operation

⁷¹⁷ *Ibid*, 1052-1053.

⁷¹⁸ *Ibid*, 1053-1056.

⁷¹⁹ *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213F.Supp.2d 1146 (C.D. Cal. 2002).

⁷²⁰ *Ibid*, 1173; citing: 173F.Supp.2d, 1053.

⁷²¹ *Nimmer*, (n477), [12.04[A][2]].

⁷²² *Cybernet Ventures*, (n719), 1174.

with many Webmasters might lead to practical supervision issues, yet bearing in mind the policy objectives of this area of the law, this could potentially be justified.

However, not all factual circumstances provide such difficulty in deciding direct financial benefit. For example, in *Ellison v. Robertson*,⁷²³ the court was asked to consider the *direct* financial benefit to an ISP of uploading a literary work as an e-book onto a USENET group.⁷²⁴ Despite noting that it is evident that the ISP (“AOL”) provides access to USENET to encourage overall subscription levels, maintenance or expansion of which is paramount to AOL’s future, the court elaborated that there was no evidence of a particular ‘draw’ by customers to AOL due to the availability of the infringing material or *vice versa* cancellation of subscriptions due to a longer being available. The Court couched this in terms of the infringing book being an “added benefit” instead of a “draw”. Some commentators have seized on the fact that the Ninth Circuit disagreed with the District Court’s assessment⁷²⁵ of the importance/relevance of the quantification that the uploaded book amounted to very little of AOL’s total usage.⁷²⁶ The court stated flatly that it disagreed with a quantification requirement, preferring the “draw” identified in *Fonovisa*, which need not be substantial.⁷²⁷

It was decided more recently in August 2011 in *Capitol Records, Inc. v. MP3Tunes, LLC*,⁷²⁸ that despite arguments that the defendant's file-sharing website acted as a draw and increases user traffic along the lines of for example *Fonovisa*,⁷²⁹ this was insufficient alone – since the financial benefit must be attributable to the infringing activity.⁷³⁰

a) Direct, Indirect or Future Financial Benefit?

⁷²³ *Ellison v. Robertson*, 357 F.3d 1072 (9th Cir. 2004).

⁷²⁴ On USENET; Part 2, Chapter B(II)(3)(c).

⁷²⁵ *Ellison*, (n723), 1062; “0.00000596% of AOL's total usage”.

⁷²⁶ *Nimmer*, (n477), [12.04[A][2]].

⁷²⁷ *Ellison*, (n723), 1078-1079.

⁷²⁸ *Capitol Records, Inc. v. MP3Tunes, LLC*, No. 07-cv-09931(WHP)(SDNY2011)

⁷²⁹ *Ibid*, section D, citing *Usenet*, 633 F. Supp. 2d at 156-57; *Fonovisa v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996); *Flea World*, 2006 WL 842883, at *12.

⁷³⁰ *Ibid* citing *CoStar Grp.*, 164 F. Supp. 2d at 704-05.

The question whether financial benefit has to be direct or indirect arises from the observation that on the one hand, the 1976 House Report refers to both direct and indirect financial benefit from infringing performances, yet, as can be seen from the above cases, the courts routinely referred to “obvious direct financial benefit”. Are the courts ignoring Congress’s intentions? Is this an instance of selective judicial interpretation? Whereas earlier cases did indeed selectively interpret the need for financial benefit as being exclusively direct, more recently, the courts have adopted the stance exhibited above.⁷³¹ The courts have now generalised the obtaining of benefit.

This provides an elegant transition to the in-depth discussion of the second requirement; the right and ability to supervise. *A&M Records, Inc. v. Napster, Inc.*, may be cited for both purposes:⁷³² The court in *Napster* determined, taking the above generalised derivation of benefit to a new level, that even where receipt of revenues is absent, *future* anticipation of *monetisation* sufficed for the requirement of financial benefit to be fulfilled.⁷³³ This is a very important holding since “*monetisation*” as referenced in Part 1 is the new “buzzword”, given the failure of a unit based sales model.⁷³⁴

An OSP operating under the impression that it may escape the first part of the test for vicarious liability, due to the absence of revenue which is intended to be derived, for instance at some point in the future from increases in a user base, as explained in the Deposition of Sean Parker, an early employee of Napster, might be disappointed.⁷³⁵ At an abstract legal level it seems that the courts have gone from one end of the spectrum requiring direct financial benefit, to, arguably beyond the requirement mentioned in the 1976 House Report of indirect benefit, by including *future* benefit in this category, thereby providing for an inherently almost complete circumvention of the stated requirement.

In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd*, the Court of Appeal dealt with distributors of software allowing users to share files including digitised music

⁷³¹ *Nimmer*, (n477), [12.04[A][2]].

⁷³² *A&M Records, Inc. v. Napster, Inc.*, 114F.Supp.2d896(N.D.Cal.2000).

⁷³³ *Ibid*, 921; citing *Broadcast Music, Inc. v. Hobi, Inc.*, 1993WL404152, 3(M.D.La.1993) (holding defendant vicariously liable because it operated with goal of making a profit), *aff'd*, 20F.3d1171(5th Cir.1994).

⁷³⁴ Part1, ChapterB(I), A(II).

⁷³⁵ 1FrackmanDec.(ParkerDep.), Exh.251; cited *Napster*, (n732), 921.

and motion pictures, of which it was alleged 90% involved copyrighted material, 70% of which was owned by the copyright owner's in suit. Concerning financial benefit, the court held that "a direct financial benefit, by advertising revenue are undisputed in this case". The court thereby agreed with the judgement of the district court which expressly stated that financial benefit can be shown were a "draw factor" is present for potential customers, relying on both *Fonovisa* and *Napster*.⁷³⁶ Concerning the factual basis the users of the defendants' software did not pay for the product, but the defendants nonetheless derive "substantial revenue from advertising", which increases in tandem with the user base to which such could be displayed. Thus the defendants thus derive a financial benefit from the infringement.⁷³⁷ The draw factor thus evinces increasing determinative importance and the prefix "direct" is openly abandoned. When the case reached the Supreme Court, it declined to reach this issue due to resolving the case on the inducement theory.⁷³⁸

2) Right or Ability to Supervise

Concerning the second part of the test for vicarious liability, the right or ability to supervise, the court in *Napster* held that what was originally designed by Napster's counsel as an argument in support of a defence, could be turned against the defendant, in that the defendant's statement that it had improved methods of blocking users about which it had received complaints by rights holders, was "tantamount to an admission that [the] defendant can, and sometimes does, police its service".⁷³⁹ The Court of Appeals held that ultimately "Napster's failure to police the system's 'premises', combined with a showing that Napster financially benefits from the continuing availability of infringing files that system, leads to the imposition of vicarious liability".⁷⁴⁰

⁷³⁶ Ibid,1043.

⁷³⁷ Ibid,1044

⁷³⁸ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*,380F.3d1154(9thCir.2004),vacated, 125S.Ct.2764,2776n9(2005).

⁷³⁹ *Napster*,(n732),921.

⁷⁴⁰ *A&M Records, Inc. v. Napster, Inc.*239F.3d1004,1024(9th Cir.2001)[amended Opinion].

Despite Nimmer noting that *Ellison v. Robertson* provides a “different conclusion”⁷⁴¹ this is arguably not the case in a supervision context, since the court did not address supervision, defendants’ arguments of direct financial benefit having failed.⁷⁴²

The Court of Appeal in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd*, agreeing with the district court, held that Grokster and StreamCast did not operate an “integrated service” which was not monitored and controlled in the same way as in *Napster*.⁷⁴³ It was crucial that Grokster merely offered software that communicates across a truly decentralised ‘FastTrack’ network, not controlled by Grokster. Similarly for StreamCast, the network was termed ‘Gnutella’, which due to being open source was apparently outside the control of any single entity.⁷⁴⁴ Importantly, the court noted “the doctrine of vicarious infringement does not contemplate liability based upon the fact that a product could be made such that it is less susceptible to and lawful use, when no control over the use of the product exists.”⁷⁴⁵ Interestingly, the Court of Appeals also noted concerning *Napster* that the right and ability to police was based on Napster’s system’s current architecture not software.⁷⁴⁶

Given the impressive scope of operations and the omnipresence of the OSP, Google, it is also worth illustrating how its use of content providing services interacts with the provision of copyright works by a ubiquitous adult entertainment company. In *Perfect 10, Inc. v. Amazon.com, Inc.*, the Court of Appeal determined the limit to the second part of the vicarious liability test, supervision, by holding that whilst it is undisputed that Google’s worldwide operations substantially assisted infringing websites to distribute infringing copies by allowing users to access such, this is to be distinguished⁷⁴⁷ from both *Fonovisa* and *Napster*, in that Google, as to third-party websites, did not have the requisite right and ability to stop or limit the directly infringing conduct which involved reproducing, displaying, and distributing unauthorised copies have Perfect 10’s

⁷⁴¹ Nimmer,(n477),[12.04[A][2]].

⁷⁴² *Ellison*,(n723),1079n10.

⁷⁴³ *Grokster*,380F.3d1154(9thCir.2004),[II][B][1].

⁷⁴⁴ *Grokster*,454F.Supp.2d966 (C.D.Cal.2006),1045.

⁷⁴⁵ *Grokster*,454F.Supp.2d966 (C.D.Cal.2006),1045-1046.

⁷⁴⁶ *Grokster*(n743).

⁷⁴⁷ *Amazon*,(n612)731.

images”.⁷⁴⁸ This decision was echoed regarding Perfect 10’s claims of copyright infringement against financial institutions, including *Visa*, which *facilitated* the purchase of infringing copies by processing credit card payments to infringing websites.⁷⁴⁹ The court distinguished potentially cancelling services from control over infringements leading to vicarious liability.⁷⁵⁰ It should be note that the *Visa* case is one of the more interesting cases in this area. As a result it is repeatedly referenced and discussed, for example below, regarding contributory liability but also very importantly in the section conclusions.⁷⁵¹

3) Conclusion

The above has demonstrated the evolution from dance hall/landlord cases to the subject matter at hand. It is now worth making two global observations. The first relates to classifying vicarious liability for the purposes of this thesis to aid a more accurate comparison and ultimately promulgation of proposals. The second observation could be termed a caveat concerning the factual boundaries of the above theories.

Concerning the classification of vicarious liability it has already been stated above that the standard theory of master-servant liability for wrongful acts during and within the scope of employment, without express authority may be termed *respondeat superior*. It may now validly be asked how vicarious liability sits with this theory when it is overlaid. As noted in Part 2⁷⁵² the traditional definition of *respondeat superior* has at its heart the employer-employee relationship, and that the liability of dance hall operators and independent contractors or related defendants, as highlighted above, clearly exceeds this original format.⁷⁵³ The very first definition of vicarious liability above, has also explained the policy reasons as to why such would be imposed.⁷⁵⁴ The trajectory is internally, uniformly, towards

⁷⁴⁸ Ibid,731.

⁷⁴⁹ *Perfect 10, Inc. v. Visa Intern. Service Ass’n*,494F.3d788(9th Cir.2007).

⁷⁵⁰ Ibid,806.

⁷⁵¹ See IV(2) in this section, but more importantly C(V); D(II)(1); D(II)(2)(a).

⁷⁵² Part2,ChapterD(II)(1).

⁷⁵³ *Leaffer*,(n464),432.

⁷⁵⁴ Part3,ChapterC(III).

an expansion of this theory, as for example also evidenced by the test of financial benefit.⁷⁵⁵

The caveat to this section is that ownership of physical premises or directly analogous digital operations is not necessarily required for a finding of vicarious liability for OSPs. Any instances of a relationship between a company and infringing conduct which evidences control, supervision, and financial benefit could, naturally depending on the facts, yield such a result. This may be illustrated by the court's holding in *Davis v. DuPont de Nemours & Company*, which concerned a sponsor of an infringing telecast, DuPont, and its advertising agent, BBDO, which transmitted such via CBS. The plaintiff, Davies, was the owner of copyright in a dramatisation of a classic novel, which he claimed had been infringed by the telecast in question. The court, relying on *Green*, held that DuPont, directly or through its agents, had to approve steps in the production, and had thus exercised control.⁷⁵⁶ Given the substantial sums the sponsor had paid, the court inferred future benefit.⁷⁵⁷ It also inferred such for the agents which had an interest in client's increased sales.⁷⁵⁸ Both the sponsor and its agent were liable for copyright infringement.⁷⁵⁹

Transitioning to the next theory of liability, where a party goes above and beyond 'mere control' by arranging for the infringement itself, it is likely that the court and indeed the plaintiff will prefer a theory of contributory infringement.

IV. Contributory Liability

1) Delineation and Doctrinal Basis

Contributory liability stems from the simple tort law principle that one who directly contributes to another's tort should be held liable.⁷⁶⁰ The court in

⁷⁵⁵ Part3,ChapterC(III)(1)(a).

⁷⁵⁶ *Davis v. DuPont de Nemours & Company*, 240F.Supp.612,632(S.D.N.Y.1965).

⁷⁵⁷ *Ibid*,631-632.

⁷⁵⁸ *Ibid*,632.

⁷⁵⁹ *Ibid*,632.

⁷⁶⁰ *Leaffer*, (n464),426.

Demetriades v. Kaufmann (“copycat house”⁷⁶¹) admirably explains, after noting that federal copyright law does not expressly create any form of derivative 3PCL, that contributory infringement is also founded on the tort concept of enterprise liability, albeit noting that lines between strands of 3PCL and even direct liability are not clearly drawn.⁷⁶² The court adopted the standard in *Gershwin* that:

[O]ne who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another, may be held liable as a contributor infringer.⁷⁶³

Concerning the doctrinal basis for contributory liability, justifying the simple formulation above, it found applicable:

[T]he basic common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor.⁷⁶⁴

The court in *Demetriades* therefore noted that knowledge and participation are the touchstones of contributory infringement.⁷⁶⁵

In delineating “enterprise liability”, the *Demetriades* court relied on Restatement (Second) of Torts s.876(b)(1977) that “establishing third-party, enterprise liability when one knows of another's tortious conduct and *substantially* aids or encourages that endeavour” yet also s.876(d) “The assistance of or participation by the defendant may be so slight that he is not liable for the act of another”.⁷⁶⁶ The essence of enterprise liability is joint liability due to being part of a shared enterprise.⁷⁶⁷ This concept of such is also known in UK law.⁷⁶⁸

⁷⁶¹ *Demetriades v. Kaufmann*, 690 F.Supp.289,290 (S.D.N.Y.1988): “[A]s pejoratively termed by one wag”.

⁷⁶² *Ibid*,292;citing *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F.Supp.399,403 (S.D.N.Y.1966); *Sony*, 464 U.S.at435n.17,104 S.Ct.at785n.17.

⁷⁶³ *Ibid*,292;citing *Gershwin Publishing Corp. v. Columbia Artists Man., Inc.*, 443 F.2d1159,1162 (2nd Circuit 1971).

⁷⁶⁴ *Ibid*,293;citing *Screen Gems*, 256 F.Supp.,403, *cited with approval in Gershwin*, 443 F.2d,1162.

⁷⁶⁵ *Ibid*,293.

⁷⁶⁶ *Ibid*,294.

⁷⁶⁷ Non-copyright: *In Re: Beverly Hills Fire Litigation*, 695 F.2d207 (6th Cir.1982), cert.denied 461 U.S.929 (1983).

⁷⁶⁸ D. Brodie, *Enterprise Liability and the Common Law*, (1st Publ.CUP2010).

Contributory infringement splits, broadly speaking, into two categories; a) knowing material contribution/participation; and b) supplying the means to infringe. Both categories will be looked at sequentially.

2) Material Contribution (Participation)

Gershwin makes clear, what is needed apart from knowledge that infringing act may occur is a material contribution/participation. This means that whilst even a licensor may be held liable under this theory for the acts of a licensee, where such under the conditions of the license infringes copyright,⁷⁶⁹ there is a general overriding principle that any authorisation or assistance in pursuit of any infringing acts must be of the direct sort and in concert with the primary infringer.⁷⁷⁰

Linking back to *DuPont*, thus proceeding in the same chronological order through the relevant case law as above, in circumstances where a secondary defendant acts with knowledge and assists the primary infringer such may still infringe despite the absence of supervision or direct financial interest under a theory of contributory liability. The court in *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc* made clear that what can be termed secondary defendants, such as an advertising agency which advertises infringing records, can be held liable provided such had the requisite knowledge.⁷⁷¹

The Court of Appeals in *Fonovisa*, contrary to the District Court,⁷⁷² chose to hold the operator of the swap meet introduced above⁷⁷³ liable under a theory of contributory liability. It rejected a limitation to express encouragement, noting the defendant's refusal to cooperate with law enforcement and agreeing with Third Circuit analysis in *Columbia Pictures Industries, Inc. v. Aveco, Inc.*, that provision of a site and facilities suffices for contributory liability.⁷⁷⁴ What is meant by refusal

⁷⁶⁹ E.g. *Universal City Studios, Inc. v. Nintendo Co.*, 615 F.Supp.838(S.D.N.Y.1985), aff'd, 797 F.2d 70(2d Cir.), cert. denied, 479 U.S. 987(1986) ("KingKong" v "DonkeyKong"); delectably described: 112.

⁷⁷⁰ *Parker v. Google, Inc.*, 422 F.Supp.2d 492, 499 (E.D. Pa. 2006); aff'd mem., 242 Fed.Appx. 833 (3d Cir. 2007) concerning the publication of a literary work on a USENET group hosted by Google.

⁷⁷¹ *Screen Gems*, (n762) and, 327 F. Supp. 788, 792 (S.D.N.Y. 1971); citing *Shapiro*, (n706), 307.

⁷⁷² *Cherry Auction*, (n711), 1496.

⁷⁷³ Part 3, Chapter C (III).

⁷⁷⁴ Citing 847 F.Supp. 1492, 1496 and 800 F.2d 59 (3rd Cir. 1986).

too cooperate are the "allegations that the local sheriff lawfully requested that Cherry Auction gather and share basic, identifying information about its vendors". This provided a basis for liability. The 9th Circuit court's ruling raises the interesting question of whether an OSP could be held liable along similar lines. Naturally what would speak against such a proposition would be 17 USC s.512(m) which explicitly removes the obligation to monitor or affirmatively seeking facts indicating infringing activity in connection with the safe harbours in s.512, as discussed below. The limit to this would however be both the standard technical measures in s.512(m)(1) and the fact that s.512 *per se* addresses *obtaining* information not passing it on. As such arguments concerned with passing such on would be derivative in nature.

In establishing contributory liability, both the District Court⁷⁷⁵ and the Court of Appeals⁷⁷⁶ in *Napster* stated "Napster is essentially an Internet swap meet — more technologically sophisticated but in many ways indistinguishable from the [defendant] in *Fonovisa*.", albeit noting its free nature.⁷⁷⁷ Both courts also supported a finding that Napster had *actual* knowledge that *specific* infringing material was available and that it could have blocked access to the system by the suppliers of the infringing material, but failed to do so.⁷⁷⁸

In *Cybernet*, as discussed above, the district court relied on both the decisions in *Fonovisa* and *Napster* as analogous cases in relation to "Adult Check" and payments to infringing websites; proliferating infringement, this was alleged to comport also with *Netcom*.⁷⁷⁹

The next two decisions that will be looked at are arguably the most important recent decisions in the sense that they have provided an almost untenable conflict. Reference is made to *Perfect 10 v. Google, Inc./Perfect 10, Inc. v. Amazon.com, Inc.*, and *Perfect 10, Inc. v. Visa Intern. Service Ass'n*.

Concerning the suit against Google, at first instance the District Court did not grant Perfect 10s request for a preliminary injunction, holding that Google was not, as mentioned above, vicariously liable, nor was Google contributorily liable. The

⁷⁷⁵ *Napster*, (n732), 919.

⁷⁷⁶ *Napster*, (n740), 1022.

⁷⁷⁷ *Napster*, (n732), 919-920.

⁷⁷⁸ *Napster, Inc.*, (n740), 1022; (n722), 918-919.

⁷⁷⁹ *Cybernet*, (n719), 11701-1711.

action concerned the plaintiff's claims that Google is *inter alia* by its image search facility, providing users with a grid of thumbnail pictures, in the process known as "framing", which "combines multiple pages in a single window so that can't different content can be viewed simultaneously, typically so that one frame can be used to annotate the other content or to maintain the link with an earlier webpage"⁷⁸⁰ and thus copying, reproducing, distributing, publicly displaying, adapting or otherwise infringing or contributing to the infringement of copyrighted images and by Perfect 10. The District Court's differentiated between Google's activities and Napster's. It distinguished the Supreme Court's inducement theory from that of "material contribution" in relation to Google's "AdSense"/image search service which did not materially contribute to direct infringement occurring on third-party websites.⁷⁸¹ The Court of Appeals, however, reversed concerning contributory infringement, holding that it was not disputed that Google substantially assisted websites in distributing infringing copies or allowing users access to such.

Importantly, it can thus be extrapolated that the Court of Appeals formulated liability for OSPs of the contributory kind where such has *actual knowledge* that particular infringing copies can be found on its systems, that steps can be taken to prevent further damage to copyright owners, and that that this was not done.

Most dramatically however as a matter of timing, before the instant case was heard in the district court on remand, the court of appeals handed down the judgment in *Perfect 10, Inc. v. Visa Intern. Service Ass'n* which did not concern a request for preliminary injunction, but was finally determined by the district court which dismissed the complaint due to a failure to state a claim on which relief can be granted. It will be remembered that the action arose out of Perfect 10's notices to financial institutions that were facilitating payments to infringing the websites and that, as the defendants admitted, they did not act upon this notification. The court of appeals, despite also drawing on *Fonovisa* and *Napster* in its decision decided to distinguish its formulation in *Perfect 10, Inc. v. Amazon.com, Inc* by stating that the facts of a case where not analogous in that defendants did not provide a site or facility for infringement.⁷⁸² The court also stated that payment

⁷⁸⁰ *Perfect 10 v. Google, Inc.*, 414 F.Supp.2d 828, 833 (C.D. Cal. 2006).

⁷⁸¹ *Ibid*, 856.

⁷⁸² *Visa*, (n749), 800.

systems did not assist distribution of content, but merely facilitate profitability possibly increasing infringement, but that such was possible without such systems; thereby not being a 'material contribution'.⁷⁸³

In a beleaguered if not belligerent tone, the court stated it was *compliant* with its decision in *Amazon* because the plaintiff had not alleged that infringing materials 'passed over the defendants payment networks, processing systems, or that these were designed as a means to infringe'.⁷⁸⁴

US courts will stop short of holding liable what they regard as "mere facilitators" for copyright infringement. Commentators have termed this "a perceived need to draw a line in the sand".⁷⁸⁵ Yet the conflict between the decisions in *Amazon* and *Visa* place OSPs and related companies in legal limbo as to whether contributory liability could be avoided using the formulation in; a) *Amazon* of actual knowledge of specific infringing material residing on an OSP's system where simple measures could of been taken to prevent further damage to copyright owners such was not taken; b) *Visa* of not merely facilitating, increasing the incidence of or otherwise materially contributing to infringement but of being the "site" of infringement, for example, in terms of the collection, sorting, sale or exchange of infringing works.

What played out in the cases above is the deeper central underlying theme of this thesis; the tug-of-war between the content providing and content using industry. The Ninth Circuit in *Google/Amazon* stated that in policy terms it was uncomfortable with the results of Google's actions on copyright holders. Similarly, the court appeared to be uncomfortable in chaining what it saw as the "primary engine of electronic commerce", namely the credit card companies, which could be viewed as agents of the content using industry, to copyright law via a theory of contributory liability, especially also given Congress' aims of 'promoting the continued development of the Internet and other interactive computer services/media as well as to preserve the vibrant and competitive free market on the Internet'.⁷⁸⁶ This was particularly the case given that in *Amazon* the court, despite the holding of secondary liability, had at its disposal the DMCA exemptions, whereas the defendants in *Visa* were not subject to such, which the

⁷⁸³ Ibid,797-798.

⁷⁸⁴ Ibid,800.

⁷⁸⁵ *Nimmer*,(n477),[12.04[A][3][a]].

⁷⁸⁶ *Visa Intern*,(n749)794.

court termed an “anomalous result” whereas it also observed that it “recognise[d] that the DMCA was not intended to displace the development of secondary liability in the courts”.⁷⁸⁷ It is however submitted that its policy-based decision in *Visa* clearly harking back to dance hall/landlord cases concerning the “site” of the infringement, despite being entirely logically justifiable, could be said to have taken a step at least in this direction. Yet is this necessarily to be abhorred? It would perhaps have been preferable for Congress to limit the application of secondary liability, should it have deemed necessary to do so following a different ruling in *Visa*. Yet one might doubt whether a statute would be the appropriate tool given the inherently complicated, fast paced, subject matter and usually broad nature of statutes. On this view, the judgement in *Visa* provided exactly what was needed; a pinpoint solution.

It will be relevant that when the District Court heard *Amazon* on remand, Matts J, concerning the required factual assessment, agreed with Google that Perfect 10’s specificity concerning *most* alleged infringements was lacking.⁷⁸⁸ Concerning the DMCA takedown regime discussed in said opinion, this will be addressed below.⁷⁸⁹ Given this ruling, it is not surprising that Perfect 10 appealed concerning Google, to the Ninth Circuit.⁷⁹⁰ The case is currently ongoing.

3) Purveyance of Means to Infringe & Knowledge

Concerning the basis for liability bound up with the supply of the means to infringe, such may be arrived at were one-party provides a copyright work to another who without proper authorisation reproduces or otherwise infringes the copyright attached to said work. This however is limited to those scenarios where the party furnishing the work was not aware or did not have knowledge of the other party’s unauthorised actions, or, where such provision was on condition of the acquisition of authorisation from the rightful owner.⁷⁹¹ This factual scenario is naturally complicated by the provision of not only a copyright work but also the

⁷⁸⁷ *Nimmer*, (n477), [12.04[A][3][a]]; *ibid*, 795n4.

⁷⁸⁸ *Amazon*, (n612).

⁷⁸⁹ Part3, ChapterC(VI)(7).

⁷⁹⁰ *Amazon*, (n612); Docketed Cause August24, 2010/Opening Brief Perfect10, October19, 2010.

⁷⁹¹ *Nimmer*, (n477), [12.04[A][3][b]].

means by which to infringe upon the rights attaching to such a work. In this instance, the absence of knowledge may not lead to a negation of liability as a contributor infringer. A party managing the operation of a facility which provides for the reproduction of tapes, including by the sale of blank tapes for such, may not avail itself of the defence of lack of knowledge on the basis that the users of the service were making infringing duplications themselves, rather than staff at the facility.⁷⁹² The same rule was applied in circumstances where the party managing such an operation did not provide the blank media, but where employees assisted with or carried out the actual reproduction.⁷⁹³

In examining contributory liability for the supply of the means to infringe it is also important to examine the holdings by the various courts in *Sony*, the background having been introduced above. The defendants in this case which would be liable under the theory of contributory liability would be the manufacturer, distributor, sellers and advertisers of Betamax.

Concerning the function of the Betamax recorder to record copyrighted works off the air and that such recording would be copyright infringement the court held that "the defendants could not know that this was infringing activity ... the defendants here could not know what copyright law required. Before the suit, the issue had not been determined."⁷⁹⁴ For the same reason the court doubted that the defendants had induced or materially contributed to infringing activity. By referencing the "staple article of commerce doctrine" the district court incorporated the patent law doctrine that manufacturers, distributors, or the like, of staple articles of commerce which are suitable for substantial non-infringing uses may not be held liable as contributory infringers. The inclusion of this doctrine to shield manufacturers such as Sony was and still is controversial.⁷⁹⁵

The Court of Appeals rejected the district court's analysis that the staple article of commerce doctrine would apply; holding that because the Betamax recorders were not suitable for any substantial non-infringing uses they fell outside this doctrine.⁷⁹⁶ The Court of Appeals also held that a lack of specific knowledge was

⁷⁹² *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360F.Supp.821,822fn3;823(E.D.N.Y.1973).

⁷⁹³ *RCA Records v. All-Fast Sys., Inc.*, 594F.Supp.335,337-338(S.D.N.Y.1984).

⁷⁹⁴ *Universal City Studios v. Sony Corp. of Amer.*, 480F.Supp.429 (CD Cal 1979) 459-61.

⁷⁹⁵ *Nimmer*, (n477), [12.04[A][3][b][i]].

⁷⁹⁶ *Universal City Studios, Inc., v. Sony Corporation of America*, 659F.2d963,975(9th Cir.1981).

irrelevant since infringing use was the predominant use of the Betamax recorder, given that “virtually all television programming is copyrighted material. Therefore, videotape recorders are not suitable for substantial non-infringing use”.⁷⁹⁷

Judge Stephens of the Supreme Court concurred with the district court in finding that a considerable number of commercially significant uses of Betamax recorders are non-infringing negating claims for contributory infringement.⁷⁹⁸ The court clarified that given that the primary infringers’ alleged unauthorised recordings were in fact non-infringing due to the extension of the doctrine of fair use to timeshifting.⁷⁹⁹

It remains to be added that the decisions in the above mentioned tape duplication services cases may be reconciled with the decision in *Sony* given that the Supreme Court drew a distinction between the manufacturer of VHS recording equipment and the commercial operator of the duplicating machine in that the former had no control over the subsequent use, whereas the latter had constant control. It is admitted that this “drawing a line in the sand” to a certain extent mirrors that in *Visa* as compared to *Amazon/Google*.

Applying the above to the even more directly relevant developments concerning OSPs/peer-to-peer software providers, and adopting once more a logical, chronological approach, it will be observed that *Napster* attempted to use the *Sony* staple article commerce doctrine in its defence. This was rejected by both the district court and court of appeals, albeit their reasons differed. The district court reminded the readers of its judgement that *Sony* had no contact post sale with the users/alleged infringers whereas Napster not only maintained but also supervised an integrated system which created a relationship between it and the users uploading and downloading files.⁸⁰⁰ Based on this observation as well as the observation that the “primary role” in Napster’s operation was to assist in the unauthorised reproduction and distribution of plaintiffs works, the doctrine of commercially significant non-infringing uses was inapplicable.⁸⁰¹ The Ninth Circuit disagreed, noting that the system was capable of substantial non-infringing uses,

⁷⁹⁷ Ibid.

⁷⁹⁸ *Sony*, (n8), 456(1984).

⁷⁹⁹ Ibid, 787-789; *Subafilms*, (n622), 1092-1093.

⁸⁰⁰ *Napster*, (n732), 917.

⁸⁰¹ Ibid.

but that what was to be distinguished was said architecture and Napster's management of the operation.⁸⁰² Whereas the architecture of the system could be analogous to the Betamax recorder in Napster's operation at the architecture and system meant that it fell afoul of the staple article of commerce doctrine. It will be important to note that a general rule may be postulated in this regard; namely that whereas the staple article of commerce doctrine exempts effortlessly manufacturers/OSPs selling products without *involved* "after-care", services with the feature of a *continued* relationship with the allegedly infringing customer fall outside the scope of the doctrine.

In the context of later cases in and projected/ future developments in this area of the law, the Seventh Circuit in *In re Aimster Copyright Litigation* decided on claims of infringement concerning a swapping service that featured as an add-on to AOL instant messaging, which allowed users of such to exchange files, and was used over the internet.⁸⁰³ The court explicitly rejected the contention that a system which is capable of non-infringing uses, is used solely to facilitate copyright infringement, could be exempt under the staple article of commerce doctrine.⁸⁰⁴ The issue was presented in this way due to Aimster's inability to prove any non-infringing use.⁸⁰⁵ The most relevant and noteworthy part of the judgement concerns the equation that a system with non-infringing uses *plus* substantial infringing uses requires an *equation* of non-liability, where a contributory infringer evidences that to eliminate or reduce substantially the infringing uses would have been disproportionately costly.⁸⁰⁶ The reason for this pronouncement was the fact that the swapping service was encrypted. Aimster's hope in this regard was that *inter alia* its lack of knowledge of the use of the system would bring it within the rule of the *Sony* decision. The court harshly criticised what it termed "wilful blindness" which it equated to guilty knowledge.⁸⁰⁷ The court thereby also rejected the Ninth Circuit's holding in *Napster* "that actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer".⁸⁰⁸

⁸⁰² *Napster*, (n740), 1021.

⁸⁰³ *Aimster*, (n21).

⁸⁰⁴ *Ibid*, 651.

⁸⁰⁵ *Ibid*, 652.

⁸⁰⁶ *Ibid*, 653.

⁸⁰⁷ *Ibid*, 650.

⁸⁰⁸ *ibid*, 649.

It is highly relevant therefore, if not also understandable, that in *Grokster* the Ninth Circuit upheld its previous jurisprudence by opining that the two filesharing services being examined, as introduced above, were capable of substantial non-infringing uses.⁸⁰⁹ Moreover, the Ninth Circuit expressly rejected the Seventh Circuit's rejection of its authority in *Napster*, thereby logically also disapproving of the "blind eye" theory proposed in *Aimster*.⁸¹⁰

4) Inducement Liability

Due to the contrast between the Seventh Circuit's ruling in *Aimster* and the Ninth Circuit's ruling in *Grokster*, the Supreme Court gave way to a petition to hear *Grokster*: In its holding it rejected the Ninth Circuit's findings, espousing instead a "new" theory of intending to induce infringement, thereafter known as 'inducement liability':

The question is under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product. We hold that *one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties*.⁸¹¹

The intention of the parties in *Grokster* was virtually not at issue given their imaginative inducement and 'follow up-Napster' stance *sans* evidence of any self initiated effort to filter copyrighted material.⁸¹²

Concerning the interplay with the *Sony* doctrine, the Supreme Court stated that whilst a) where there was only one purpose, namely infringement, for an article there would be "no legitimate public interest in its unlicensed availability, and there is no justice in presuming or imputing intent to infringe"; but affirmed b) that

⁸⁰⁹ *Grokster*, 380F.3d1154,1161(9th Cir.2004).

⁸¹⁰ *Ibid*,1162fn9.

⁸¹¹ *Grokster*,(n19),[Emphasis added]

⁸¹² *Ibid*,924-925.

where the item has substantial lawful as well as other unlawful uses the *Sony* doctrine “limits liability to instances of more acute fault than the mere understanding that some of one's products will be misused.”⁸¹³ The Supreme Court did not expressly rule on the Seventh Circuit theory of liability based on wilful blindness.

In summary, *Sony* was affirmed in *Grokster* by the Supreme Court and a new basis of liability was promulgated.⁸¹⁴ The reasons behind this are perhaps best explained by Souter J's characterisation of the central theme of this thesis; the conflict between the content producing and content using industry.⁸¹⁵

It is a beautiful parallel that *Grokster* imported the inducement theory from patent law in the same manner as the court imported the staple article of commerce doctrine in *Sony*.⁸¹⁶

Given the Supreme Court's support of the rights holders, nudging the district court and potentially the court of appeals to hold *Grokster* defendants liable for active inducement, *Grokster* settled shortly after the Supreme Court decision, and Sharman ‘purportedly reached a tentative settlement’. Stream Cast remained. Plaintiffs initially filed motions for summary judgement as to the liability of defendants StreamCast and Sharman in the district court on remand. The district court was looking in particular for the requisite “purposeful, culpable expression and conduct” beyond ordinary acts incident to product distribution all may knowledge of infringing potential or actual infringing uses.⁸¹⁷ The district court applied the inducement test holding that the evidence before the court for lawful intent was overwhelming.⁸¹⁸ Moreover the court also held that the software was used mainly for infringement; targeted Napster users; defendants assisted infringing users and ensured the infringing capabilities; the business model was dependent on massive infringing use; no meaningful affirmative steps were taken

⁸¹³ Ibid,932-933.

⁸¹⁴ Leaffer,(n464)430.

⁸¹⁵ *Grokster*,(n19),928-929.

⁸¹⁶ 35USC271(c).

⁸¹⁷ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*,454F.Supp.2d966,984(C.D.Cal.2006).

⁸¹⁸ Ibid,985.

to prevent infringement; and defendants could not reasonably claim ignorance of infringement.⁸¹⁹

Somewhat unsurprisingly the district court held that the defendants distributed their peer-to-peer software with the intent to induce infringement.⁸²⁰ Whilst the court granted the plaintiffs' motion for summary judgement on the question of liability against StreamCast on remand, the court heard further action for a motion for a permanent injunction soon after. Given the nature of the permanent injunction StreamCast prayed for an evidentiary hearing, additional discovery or the state of the permanent injunction pending appeal. After considering the *technological* issues including filtering and moving the end users from non-filtered versions to filtered versions of the software, the court analysed the *legal* issues relating to the history of the permanent injunctive relief sought, thereafter the court granted in part plaintiff's motion for a permanent injunction, amongst other things requiring the use of the most effective means available to reduce the infringing capabilities of the peer-to-peer software purveyed by StreamCast, while preserving its infringing uses as feasible. StreamCast's request to stay the permanent injunction pending appeal was denied without prejudice.⁸²¹ Stream Cast did not appeal.⁸²²

5) Contributory and Inducement Liability Contrasted & Concluded

Some observers and especially OSPs, might wish to distinguish and separate contributory and inducement liability. It is also logical from a content providing industry perspective that the most fitting and powerful basis liability be argued thoroughly first.

From a purely sand boxed point of view the contention that inducement liability is a subset of contributory liability may immediately be offered. This is due to the above-mentioned definition of contributory liability as holding those liable those

⁸¹⁹ Ibid.

⁸²⁰ Ibid,992.

⁸²¹ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*,518F.Supp.2d1197,1201,1241 (C.D.Cal.2007).

⁸²² As of 26April2011.

which as identified in *Gershwin* “with knowledge of the infringing activity, induce, cause, or materially contribute to the infringing conduct of another”.⁸²³

Confusion arguably still reigns due to the Ninth Circuit’s post *Grokster* Supreme Court judgement in *Visa*. Despite the fact that the court defines contributory infringement as a form of 3PCL with roots in both the concepts of enterprise liability and imputed intent, and further states that a different panel in *Amazon* did not “bifurcate its analysis of contributory liability into “material contribution” liability and “inducement” liability, it did recognize that contributory liability “may be predicated on actively encouraging (or inducing) infringement through specific acts.”⁸²⁴ Nimmer has implied that the fact that the court first discussed contributory copyright infringement and then turned to inducement does not sit well with its reference to an anti-bifurcated approach.⁸²⁵ Just as some courts would consider both vicarious and contributory liability, considering one or both of the legs upon which contributory infringement stands, namely devolved enterprise liability or imputed intent is logically sound. Moreover, the Ninth Circuit panel in *Visa* at the outset clarified that there are various formulations of the same basic test for contributory infringement, promulgated in *Gershwin*, as stated above. It also cited:

- a) *Napster* as an elaboration in the Internet context that contributory liability may be found where a party “engages in personal conduct that encourages or assists the infringement”; and the Supreme Court in
- b) *Grokster* as simply proffering another version by adopting from patent law the concept of inducement finding that “one infringes contributorily by intentionally inducing or encouraging direct infringement”; just as in
- c) *Amazon* where contributory liability was incurred, under *Grokster*, for “intentionally encouraging direct infringement if the actor knowingly takes steps that are substantially certain to result in such direct infringement”⁸²⁶

⁸²³ *Gershwin*, (n763), 1162.

⁸²⁴ *Visa*, (n749), 801 (9th Cir. 2007) citing *Amazon*, 487 F.3d, 726 (quoting *Grokster*, 545 U.S. 942, 125 S.Ct. 2764 (Ginsburg, J., concurring)).

⁸²⁵ *Nimmer*, (n477), [12.04[A][4][b]]fn309.1.

⁸²⁶ *Visa*, (n749), 795.

as non-contradictory variations of the same basic test that “one contributorily infringes when one (1) has knowledge of another's infringement and (2) either (a) materially contributes to or (b) induces that infringement”.

It has been observed that in *Viacom v Youtube*, Stanton J confused the standard of contributory liability and inducement liability.⁸²⁷

In summary however the rule in *Sony* concerning substantial non-infringing uses in a copyright context limits material contribution in the sense that it exempts certain designs by OSPs, whereas *Grokster* inducement looks at the intent of the party concerned, which serves to in turn limit *Sony*'s effect.

Some commentators firmly believe that there is a difference between inducement as part of the test for contributory infringement and liability for “intent to induce”. Such a theory is built upon the premise that for a finding of contributory infringement based on inducement, a plaintiff must show that a defendant *actually induced infringement*, whereas a plaintiff using the novel theory of “intent to induce” under *Grokster* arguably merely needs to show the defendant's *subjective intent* to induce irrespective of whether the always necessary primary infringement actually occurred as a result.⁸²⁸

In *Viacom* reference was made to *Arista Records LLC v. Lime Group LLC.*, (LimeWire). In *Viacom* plaintiffs relied in their arguments on the finding in *LimeWire* that there was “overwhelming evidence that LW engaged in purposeful conduct that fostered infringement: LW created and distributes LimeWire, which users employed to commit a substantial amount of infringement” and that “direct evidence of solicitation or a separate inducing message need not be shown to prove the requisite intent”.⁸²⁹ As commentators have however noted concerning LimeWire, the decision referenced *both* an extensive discussion of why the defendants met the *Grokster* inducement standard, and that such was noted to be “a form of the long established cause of action for contributory copyright infringement”.⁸³⁰ The court further substantiated by also referencing knowledge of

⁸²⁷ *Viacom* (n15),526.

⁸²⁸ *Nimmer*,(n477),[12.04[A][4][b]].

⁸²⁹ *Arista Records LLC v. Lime Group LLC.*,No.06CV5936(KMW),15-16(S.D.N.Y.May11,2010). A case concerning a peer to peer file-sharing program and service based on BitTorrent protocol and the Gnutella network.

⁸³⁰ 715F.Supp.2d481(SD.NY2010),in 58J.CopyrightSoc'y,167(2010).

substantial infringement, affirmative acts to attract users and enabling such to commit infringement. The failure to “mitigate infringing activities” was also cited.

However taking a sandboxed approach, the inducement definition does lend itself to the interpretation as a self-contained alternative to standard contributory liability. The Ninth Circuit’s separate consideration above does lend considerable credence to this contention. It is further submitted as mentioned above, that this test substantially facilitates findings of infringement and therefore benefits the content producing industry substantially. Commentators such as Leaffer agree.⁸³¹

V. Conclusion

A plaintiff may bring suit in respect of a theory of vicarious, contributory and inducement liability as well as theoretically, additionally or alternatively, more generalised *respondeat superior* or corporate liability. It will be important to remember that the above discussion has made it abundantly clear that an OSP’s risk assessment is complicated not only by the intrinsic interpretation of currently established strands of liability, but also by the apparent ease with which these theories evolve to fit judicial policy considerations, for example as admitted in the above quote from Souter J’s opinion in *Grokster*. So where does this leave an OSP or content provider seeking to quantify legal risk or to gauge the best response to either infringement or the allegation of such?

It may be submitted in this regard that the following, based on analysis of the above, could be deemed to aid an understanding of avoidance of being classified as a party capable of incurring third-party infringement.

Visa, as discussed above, has implied that what has been referred throughout this thesis as primary and 3PCL could be separated into what some commentators have termed primary, secondary, and tertiary liability.⁸³² The dividing line between secondary and tertiary liability would be a relatively novel one and the category of tertiary liability one which would include for example, financial facilitators such as

⁸³¹ Leaffer,(n464),430.

⁸³² Nimmer,(n477),[12.04[A][5][a]].

Visa, which, it has been argued are two steps removed from any primary infringement. As has also been mentioned above, the suit against Hummer, the financial backers of Napster, could support such a classification due to the fact that the court granted plaintiffs motions for sanctions to the extent of a preclusion order and adverse inference instruction concerning the destruction of e-mails prior to suit.⁸³³ This means that not only do OSPs in the secondary category need to avoid liability, also those in the tertiary category must consider their actions carefully. Conversely, the content providing industry may learn from this that if it carefully crafts claims, it may also 'catch' tertiary defendants. Such may for example have deeper pockets than even secondary parties, and thus be worth pursuing.

In going through the different theories of liability, it will, given the 'twin barrels' of vicarious liability be possible to avoid such by negating proof of control, bearing in mind that the criterion of financial benefit is too elusive, being loosely and broadly constructed, as noted above, to warrant a serious consideration of constructing corporate infrastructure to negate such.

Avoiding liability for contributory infringement, the prudent OSP might adopt an approach predicated on bifurcation of the elements of liability. Producing a product or service that has substantial non-infringing uses should bring the OSP within the rule in *Sony*. Concerning the intent to induce infringement, it can be noted that the plaintiffs would have to prove objectively that the defendant subjectively wished to induce such (naturally predicated upon the presence of infringement, though not necessarily by inducement). This means that intent to induce despite, as having been mentioned above as being in theory a boon to the content producing industry, may in fact be circumvented by the lack of evidence supporting such a proposition which may consist of e-mails, advertisements, marketing material and the like. In practice this may be difficult to achieve, especially where a product's profitability is to a lesser or greater extent dependent on infringing uses drawing in and expanding a user-base, for example to increase/maximise advertising revenue or subscriptions. This may be the real cost of avoiding liability. As *Viacom* evidences, even OSPs such as YouTube, which apparently "furnishes a platform on which its users post and access all sorts of

⁸³³ *In re Napster, Inc. Copyright Litigation*, 462 F.Supp.2d 1060, 1078 (N.D. Cal. 2006).

materials as they wish, while the provider is unaware of its content, but identifies an agent to receive complaints of infringement and removes identified material when he landed infringes,”⁸³⁴ finds this hurdle hard to take given the e-mails containing worrying statements by its founders.⁸³⁵

VI. The Digital Millennium Copyright Act 1998

Having examined 3PCL theories in US copyright law, including how they pertain to or affect OSPs, it is now worth examining liability provisions specifically tailored to OSPs. Reference is of course made to the DMCA.⁸³⁶ Before launching into an analysis, it is first of all worth noting that the Act splits into five titles. The most relevant title for present purposes is Title II which was codified in 17 USC 512, although s.504 will also be relevant as will be seen below.

1) Limitations on Liability for Material Online: General Matters

The limitations in the following analysis of s.512 add to any defence that a party would regularly have under any other aspect of copyright law. The Act creates certain specifically enumerated and carefully, if not always precisely delineated, “safe harbours” which if applicable exempt an OSP from liability. Should an OSP fall outside such a safe harbour, liability in will be determined according to the usual copyright rules.

Definition of Service Provider

S.512(k) states that an “entity” transmitting, routing, or providing digital online communications connections “between or among points specified by user, or material of the user’s choosing, without modification to the content of the material and sent or received” is deemed a “service provider” the purposes of the

⁸³⁴ *Viacom*(n15),526.

⁸³⁵ Viacom’s Reply Memorandum of Law in Support of Viacom’s motion for Summary Judgment, *Viacom Int’l. Inc., et al., v. YouTube, Inc., et al.*, No.07-CV-2103, No.07-CV-3582, 8, Hohengarten, Ex.215.

⁸³⁶ Pub.L.No.105-304, 112 Stat.2860 (Oct.28,1998).

Act and therefore in principle eligible for protected status. This definition is relatively broad and therefore encompasses certain staple OSPs such as Amazon or Google, just as it also encompasses “Napster type” services.⁸³⁷

Conditions for Eligibility

S.512(l)(1)(A) concomitantly requires the OSPs to reasonably implement, and inform its subscribers/account holders of its policy providing for termination in appropriate circumstances; where such are found to be repeat infringers. S.512(l)(1)(A) requires the adoption and non-interference with standard technical measures, which are used by copyright holders to identify and protect copyright works.⁸³⁸

However the act also contains a very important limitation on the conditions for eligibility as well as the safe harbour as examined below, namely that in the interest of protection of privacy, a service provider is positively prohibited, according to s.512(m), from monitoring its service or affirmatively seeking facts indicating infringing activity, except where such would be consistent with standard technical measures complying with S.512(l), as mentioned above.

2) Transitory Digital Network Communications (Transmissions)

The first of four categories of safe harbours is Transitory Digital Network Communications (TDNCs). As with the other safe harbours, bringing an OSP’s activities within such means that, as explained above, monetary relief will not be available for alleged infringements. Injunctive relief will be limited as specified in 17 USC 512(j), where the court must enter into an equation several factors such as the burden on the OSP, technical feasibility and the interference with non-infringing material, were an injunction to be granted.

Overview

⁸³⁷ *Hendrickson v. eBay, Inc.*, 165F.Supp.2d1082,1088(C.D.Cal.2001); *Corbis Corp. v. Amazon.com, Inc.*, 351F.Supp.2d1090,1098(W.D.Wash.2004); *Field v. Google Inc.*, 412F.Supp.2d1106,(D.Nev.2006); *Viacom*, (n15), 516; *Aimster*, (n21), 655.

⁸³⁸ See 17 USC 512(l)(2).

Section 512(a) concerning TDNCs comes into play in circumstances where a rights holder accuses an OSP of copyright infringement due to the transmission of material through its system. The OSP must show that a party other than the OSP initiated the requisite transmission(s), chose its recipient(s), and that the OSP did not interfere with/select⁸³⁹ the content of such. The section stresses both the requirement of the automated nature of the involvement of the OSP, including routing, provision of connections or storage,⁸⁴⁰ as well as the requirement that the OSP makes no copy of the material beyond a transiently stored copy which is not ordinarily accessible to parties, except the anticipated recipients, and where such is not maintained on the system in a manner ordinarily accessible to the anticipated recipients for longer than is reasonably necessary for the transmission, routing, or provision of connections.⁸⁴¹ The 1998 Senate Report explains that “transmitting” in s.512 is not the same as elsewhere in the CA, as defined in section 101: Transmitting for the purposes of s.512 is *not* limited to transmissions of a performance or display of images or sounds.⁸⁴²

Actual Controversies

A review of pertinent case law is instructive in illuminating the size of this particular safe harbour.

There is ample case law concerning the definition of “transient storage” in relation to the fixation of works where such is “embodied in a sufficiently permanent or stable form for a period of more than transitory duration”. Thus anyone coming into contact with this terminology in the instant context will already have this in mind. In *Ellison v. Robertson* a science fiction writer pursued unauthorised exchanges of relevant works on USENET.⁸⁴³ Part of the plaintiff’s argument concerned the maintenance of messages allegedly infringing the plaintiff’s works on servers of up to 14 days. The district court found that s.512(a) was designed to codify the rule as elaborated in *Netcom* where USENET messages were retained for 11 days.⁸⁴⁴ As a result, it found s.512(a) satisfied, the three day difference being

⁸³⁹ S.Rep.1998,42.

⁸⁴⁰ Ibid.

⁸⁴¹ Ibid.

⁸⁴² S.Rep.1998,41.

⁸⁴³ *Ellison*, (n716).

⁸⁴⁴ Ibid,1070,citing H.R.Rep.1976,105-551(I),24.

insufficient to distinguish the two cases.⁸⁴⁵ The Ninth Circuit despite reversing *Ellison* on other grounds, approved⁸⁴⁶ of the district court's opinion on this point.⁸⁴⁷

In *Perfect 10, Inc. v. CCBill LLC* the defendants contended that the handling of payments for access to websites containing infringing images was eligible as a TDNC, despite plaintiffs contentions that credit card data itself was not subject to copyright and therefore not protected and outside the remit of the section. The Ninth Circuit policy based judgment included such in s.512(a).⁸⁴⁸

3) System Caching

The second safe harbour concerns “system caching” and is embodied in s.512(b), which holds that OSPs are not liable for intermediate and temporary storage of material, provided that such was made available by another person, the storage being part of an automatic non-interfering⁸⁴⁹ technical process, the OSP complies with industry standards concerning refreshing, reloading and updating the material and in no way interferes with password protections and other security measures.

As the 1998 Senate Report explains, the section is aimed at material that has been made available on an originating website and transmitted at the direction of a person through the system or network, operated by the OSP, to a different person, usually stored by automatic technical processes, so that the users of the system or network that subsequently request access to material on the originating site, may obtain such from the system or network.⁸⁵⁰

OSP's must be fully compliant with “notice and takedown” provisions where such original material has been removed or disabled on the primary website. A parallel can be drawn between this section, the above section, and the EC Regulations,⁸⁵¹ in that at the very least the difference between the above section aimed at transmissions and the instant caching section is very similar to that in the UK part;

⁸⁴⁵ Ibid.

⁸⁴⁶ Ibid, 1081.

⁸⁴⁷ Critique: *Nimmer*, (n477), [12B.02[3]].

⁸⁴⁸ *Perfect 10, Inc. v. CCBILL LLC*, 488 F.3d 1102, 1116 (9th Cir. 2007); note remand, viz s.512(a).

⁸⁴⁹ S.Rep. 1998, 43.

⁸⁵⁰ S.Rep. 1998, 42.

⁸⁵¹ Part 2, Chapter C(II)(2).

whilst the former simply applies to passing and briefly stored directed transmissions, the latter mainly applies to temporary local storage to facilitate user access.⁸⁵²

As in the preceding section, it is instructive to consider the application of the limitation in cases. Two Google related cases will be looked at dealing with Google's acts of caching. In both cases, Google used an automatic program to scour the Internet automatically caching all content, unless the source contained instructions not to be cached.

In *Field v. Google Inc.*, a Nevada attorney took action against this practice given that the short stories which he posted on his personal website, without a "no archive" 'meta tag',⁸⁵³ showed up in Google search results which were automatically displayed with cached links.⁸⁵⁴ Promptly after being served Google removed the cached links. There were several bases for finding for Google, the first was the defendant's invitation to Googlebot to index the site, which was equated to a license;⁸⁵⁵ such affirmative conduct further estopped plaintiff,⁸⁵⁶ further, Google's use was covered under the fair use exception.⁸⁵⁷

The discussion in said case highlights the above Senate Report explanation that what is needed is an *initial poster* of information, an *initial requester* at whose direction the work is copied, a *network* which carries this out automatically and a *subsequent user*. As it happens, the facts of the case and Google's caching policy, by using its Googlebots to index the entire Internet, unless prevented from doing so, does not meet the specification. The district court however disagreed. It implied that s.512(b)(1)(B) did not require such a chain by incorporating Google as the *initial requester* and, partly, inherently, the *subsequent user*, despite noting the possibility/aim of another future subsequent user.⁸⁵⁸

The above means that in circumstances where such caching activities fail the test of fair use or consent, for example where material is posted in an unauthorised

⁸⁵² S.Rep.1998,42.

⁸⁵³ See Wikipedia:http://en.wikipedia.org/wiki/Meta_element(01July2011).

⁸⁵⁴ *Field v. Google Inc.*,412F.Supp.2d1106(D.Nev.2006).

⁸⁵⁵ *Ibid*,1116.

⁸⁵⁶ *Ibid*,1116-1117.

⁸⁵⁷ *Ibid*,1117-1118.

⁸⁵⁸ *Ibid*,1124.

manner, Google or any other OSP, hit by surprisingly forceful infringement claims might, being without protection, unexpectedly face liability.

This has been claimed to be an error of interpretation of the statute.⁸⁵⁹ It is however submitted that the error is not as grave as Nimmer points out, in terms of future impact, since a court wishing to distinguish may perhaps do so given the non-determinative nature of this portion of the judgement and the simple fact that in linguistic terms the *ratio* has not been brought to a close. This does however require a more discerning court than that in *Parker v. Google, Inc.*⁸⁶⁰

4) Information Residing on Systems or Networks at Direction of Users

The third safe harbour, “Information Residing on Systems or Networks at Direction of Users” resides in s.512(c). It may be termed a “hosting” exception, parallel to that seen in Part 2,⁸⁶¹ which excepts OSPs that “host” services on servers which are used by persons making information on the servers available to others, usually by use of the Internet. OSPs are also obliged to comply with procedural requirements with respect to notifications of claimed infringement.⁸⁶² OSPs may more easily incur liability for direct infringement of exclusive rights as well as 3PCL by aiding such.⁸⁶³ Due to the section’s particularly complex nature it is worth delineating it precisely; it exempts a provider from liability where said:

(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

⁸⁵⁹ *Nimmer*, (n477), [12B.03[2]].

⁸⁶⁰ *Parker*, (n770)498(E.D.PA2006).

⁸⁶¹ Part2, ChapterC(II)(3).

⁸⁶² 17 USC 512(c)(3).

⁸⁶³ *Leaffer*, (n464), 436.

(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

The Senate Report lists as examples of such storage “service space for a user’s website, chat room or other forum in which material may be posted at the direction of users”.⁸⁶⁴

Given the importance of this section, a different approach will be taken to the preceding sections, meaning that it is worth dealing with the hosting exception in detail in the context of an in-depth analysis of *Viacom*. The case, as already mentioned above, concerns plaintiffs’ claims that YouTube and users were not in possession of valid licenses, authorisation, permission or consent to use registered copyrighted works which were owned by the plaintiffs and which appeared on YouTube.⁸⁶⁵ As a result, the plaintiffs claimed that the defendants were directly liable for infringing rights of public performance, public display and reproduction⁸⁶⁶ and that defendants were also indirectly liable for inducement as well as contributory and vicarious infringement of copyright.⁸⁶⁷ Plaintiffs thus, among other things, sought a declaration that the defendants’ conduct wilfully infringed plaintiffs’ copyrights; a permanent injunction requiring defendants to employ reasonable methodologies to prevent or limit infringement of plaintiffs’ copyrights, and statutory damages for defendants’ past and present wilful infringement, or actual damages, plus profits of at least one billion dollars.⁸⁶⁸ *Viacom* plaintiffs in their Motion for Partial Summary Judgment particularly emphasised the inducement theory espoused in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*,

⁸⁶⁴ S.Rep.1998,43.

⁸⁶⁵ Complaint for Declaratory and Injunctive Relief and Damages, *Viacom*(n15),[35].

⁸⁶⁶ 17U.S.C.s.106,subject to ss.107-122.

⁸⁶⁷ Complaint for Declaratory and Injunctive Relief and Damages, *Viacom* (n15),[46-89].

⁸⁶⁸ *Ibid*,[10] ,prayer.

*Ltd*⁸⁶⁹ whilst also maintaining claims for vicarious and direct liability and the inapplicability of DMCA “safe harbor” provisions to YouTube’s activities.⁸⁷⁰

The summary judgment in *Viacom* is interesting in several respects. Right at the outset it focuses on s.512 (c), (m), and (n). It thus approaches this case in the manner suggested by the defendants. The decision then looks rather briefly at some relevant case law, *Grokster* and other points deemed salient.

Concerning certain of the plaintiffs’ submissions and exhibits⁸⁷¹ the judge states that “a jury could find that the defendants not only were generally aware of, but welcomed, copyright infringing material being placed on their website. Such material was attractive to users, whose increased usage enhanced defendants’ income from advertisements displayed on certain pages of the website, with no discrimination between infringing and non-infringing content”.⁸⁷²

It was however also noted that defendants had designated a DMCA agent, as required by 17 U.S.C. s.512(c)(2), that it was uncontroverted that of all the clips in suit were taken off YouTube’s website and that most were removed in response to their DMCA notice.

Stanton J identified the central question in his summary judgment as being whether 17 U.S.C. s.512(c)(1)(A)(i) and (ii) requires “a general awareness that there were infringements or whether the section requires actual or constructive knowledge that specific and identifiable infringements of individual items”.⁸⁷³ A reading of the section as requiring mere general awareness of infringements would undoubtedly favour the plaintiffs, whereas actual item specific knowledge would be much harder to prove and conversely, easier to defend. To interpret these provisions the judge examined the legislative reports on this topic, which were also relied on by the parties to enhance their various claims.

The Legislative History (Senate & House Reports)

⁸⁶⁹ *Grokster*, (n19).

⁸⁷⁰ Viacom’s Reply Memorandum of Law in Support of Viacom’s motion for Summary Judgement, *Viacom* (n15), 1.

⁸⁷¹ *Ibid*, 8, Hohengarten Ex. 215.

⁸⁷² *Viacom* (n15), 6.

⁸⁷³ *Ibid*, 7.

The reports as cited, regarding the purpose or spirit behind the DMCA, inform the reader that “by limiting the liability of service providers, the DMCA ensures that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will continue to expand”.⁸⁷⁴ This policy perspective has been demonstrated in practice by YouTube, for example in relation to re-encoding works to make them accessible on different platforms. It has also been expounded by the various *Amicus Curiae* briefs in support of the defendants, for example by the “Sideshow Coalition” which states “YouTube is really UsTube. It empowers us to express ourselves, to realise our dreams, to communicate with others, to earn a living from our talents, and to change the world”.⁸⁷⁵

The test of knowledge concerning “facts or circumstances from which infringing activity is apparent” referred to in 17 U.S.C. s.512(c)(1)(ii) is described as a “red flag” test. It was however noted that there is no duty on the service provider to monitor or to seek facts concerning infringing activity except in so far as would be consistent with a standard technical measure complying with s.512(i)(1)(B). Nevertheless, any service provider which becomes aware of a “red flag” will lose “safe harbor” immunity if no action is taken in this regard. It is noted in this connection that the “red flag” test contains both a subjective and objective element. The subjective element relates to the awareness of the service provider of facts or circumstances in question relating to a “red flag”. The objective element relates to whether those facts or circumstances constitute a “red flag”, in other words, whether infringing activity “would have been apparent to a reasonable person operating under the same or similar circumstances”.⁸⁷⁶

The Judge’s Analysis of the Legislative History

a) Knowledge standard

⁸⁷⁴ *Viacom*, (n15), 8; citing S. Rep. No. 105-190 (1998).

⁸⁷⁵ Brief of the “Sideshow Coalition” (Individual Users) As Amicus Curiae in Support of Defendants, Interest of the Amici, 1, in *Viacom Int’l. Inc., et al., v. YouTube, Inc., et al.*, No. 07-CV-2103, No. 07-CV-3582 (S.D.N.Y. June 23, 2010).

⁸⁷⁶ *Viacom* (n15), 10; citing S. Rep. 1998, 44-45; H.R. Rep. No. 105-551, pt. 2, (1998), 53-54.

Concluding his analysis of the legislative history of the DMCA, Stanton J comes to the conclusion that 17 U.S.C. s.512(c)(1)(i) and (ii) describes “knowledge of specific and identifiable infringements of particular individual items”, and that “mere knowledge of prevalence of such activity in general is not enough”.⁸⁷⁷

b) Consequence of knowledge

It was held;

“to let knowledge of a generalised practice of infringement in the industry, or of a proclivity of users to post infringing materials, impose responsibility on service providers to discover which of their users’ postings infringe a copyright would contravene the structure and operation of the DMCA”.⁸⁷⁸

In terms of justification for the above, a decline to shift the burden of invigilation from the copyright owner to the provider of services is cited.⁸⁷⁹ This argument is, as always, underlined by the assertion that the copyright owner would be the person best placed to enforce their rights. Indeed, echoing defendants’ submissions, the judge notes that the ratio of infringing works to the works that the service provider has to deal with on their platform means that the service provider often cannot by inspection alone determine whether such use is being licensed by the owner, whether a post is “fair use” of a work, or whether a particular copyright owner or licensee would even object to a particular post. Some commentators are likely to argue in this respect that these points are particularly persuasive since it was alleged by the defendants that Viacom themselves made use of YouTube’s services by extensively uploading clips on an ongoing basis, deliberately leaving videos posted by others and licensing material to appear on YouTube.⁸⁸⁰ Two further justifications cited briefly are s.512(m)(1), the “privacy/freedom not to monitor” provision as well as the fact that in this particular instance the DMCA notification regime worked particularly efficiently since some 100,000 videos that were complained about in a mass takedown notice had, by the next day, almost all been removed.

⁸⁷⁷ *Viacom*(n15),15.

⁸⁷⁸ *Ibid.*

⁸⁷⁹ *Viacom*(n15),16; citing *CCBill*,(n848)1113.

⁸⁸⁰ Reply Brief in Support of Defendants’ Motion For Summary Judgment, *Viacom* (n15),16.

The Case Law Analysed

a) Cases cited in support of the Judgment

In the second section of the judgment Stanton J briefly cites four cases, almost all of which are used to support the contention that there is no investigative duty on service providers and that more than general knowledge is required to impose an affirmative duty to remedy the problem and to disallow “safe harbor” protection. Two things may be noted in this regard. The first is that a statement in *UMG Recordings, Inc. v. Veoh Networks, Inc.*, is defined as the “very essence” of why general knowledge or awareness of pervasive copyright infringement is insufficient to impose liability on a service provider; “if investigation of ‘facts and circumstances’ is required to identify material as infringing, then those facts and circumstances are not “red flags””.⁸⁸¹ The second is that Stanton J relies on drawing an analogy from the trademark case *Tiffany (NJ) Inc. v. eBay Inc.*, that knowledge of specific instances of actual infringement are required in order to be actionable.⁸⁸² The parallels drawn reflect the fact that the judge viewed YouTube as being in the same general category as eBay Inc, which is something that the plaintiffs in particular have strongly denied due to YouTube’s use of the material and opposing claims regarding the requisite standard of knowledge.⁸⁸³

b) *Grokster* dismissed

Grokster and related cases, termed its “progeny” by the judge; *Usenet* and *Fung*⁸⁸⁴ as well as *LimeWire*, as cited by plaintiffs and their supporting *amici*, are tartly held to be of little application. Thus concerning the theory of liability under *Grokster*, as relied on heavily by the plaintiffs, it was held that the “general law of contributory liability” for copyright infringement does not apply to this particular subset of service providers, protected by the DMCA. This was heavily contested by the plaintiffs, as mentioned above, and further reinforces the, on one view, implied classification of YouTube by Stanton J as being a different, important and

⁸⁸¹ *Viacom*, (n15), 17; citing *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665F.Supp.2d1099, 1108(C.D.Cal.2009).

⁸⁸² *Viacom*, (n15), 17; citing *Tiffany (NJ) Inc. v. eBay Inc.*, 600F.3d93(2dCir.2010).

⁸⁸³ *Viacom’s Reply Memorandum of Law in Support of Viacom’s motion for Summary Judgment*, *Viacom* (n15), 25.

⁸⁸⁴ *Columbia Pictures Industries, Inc., v. Fung*, No.CV06-5578, 2009WL6355911(C.D.Cal.2009).

legitimate, breed of service provider compared to many of its brethren. Stanton J does however state that “on these cross motions of summary judgment I make no findings of fact as between the parties, but I note that the plaintiff Viacom’s General Counsel said in a 2006 e-mail that “the difference between YouTube’s behaviour and Grokster’s is staggering”. In what is perhaps the most revealing insight into the perception of YouTube, it is stated that:

“The Grokster model does not comport with that of a service provider who furnishes a platform on which its users post and access all sorts of materials as they wish, while the provider is unaware of its content, but identifies an agent to receive complaints of infringement, and removes identified material when he learned it infringes. To such a provider, the DMCA gives a safe harbor, even if it otherwise would be held as a contributory infringer under the general law”.

Other Points

a) “Storage” given wide definition

In the final part of the summary judgment three aspects of the case are dealt with. Firstly, it is held that “storage” within the meaning of 17 U.S.C. s.512(c)(1), contrary to plaintiff’s assertion, in this instance includes the replication, transmittal and display of videos on YouTube. The judge arrives at this conclusion from the definition of “service provider” in 17 U.S.C. s.512(k)((1)(B), as mentioned above, since such would seem to flow almost naturally from a providers activities, provided that they flow from the material’s placement on the provider’s system or network. Stanton J goes so far as to say that “it is inconceivable that they [such allegedly infringing activities] are left exposed to be claimed as unprotected infringements”.⁸⁸⁵

b) Financial Benefit and Right and Ability to Control

Stanton J quickly covers claims that YouTube had the right and ability to control infringement of copyright. The judge states that for the “right and ability to control” an activity to be found, item specific knowledge is required.

⁸⁸⁵ *Viacom*, (n15), 24.

c) Content Management

The judgment dismissed claims that YouTube's "three strikes" repeat-infringer policy was not reasonably implemented as required by 17 U.S.C. s.512(i)(1)(A) due to its calculation of the "strikes". It was also noted that DMCA compliant notices themselves do not provide evidence of copyright infringement and therefore have no bearing on the service provider's state of knowledge in this regard. Concerning the use of AudibleMagic, the video fingerprinting tool which removes offending videos automatically if matched with a particular reference video; it was held that YouTube's initial hesitation in counting such rights-holders requests as strikes was indeed reasonable. In this regard Stanton J followed the same line of argument as that in *UMG Recordings, Inc. v. Veoh Networks Inc.*, where it was held that the automated AudibleMagic filter "does not meet the standard of reliability and verifiability required by the Ninth Circuit in order to justify terminating a user's account".⁸⁸⁶ Lastly, concerning the specificity of the takedown notice regime established by 17 U.S.C. s. 512(c)(3)(A)(ii), it was held that whereas generic/representative descriptions are acceptable, specific locations on the service provider's site must be provided to avoid a forbidden factual search on the half of the service provider.⁸⁸⁷ Such was noted to be most commonly achieved by providing the "Uniform Resource Locator" (URL).⁸⁸⁸

Comment

This summary judgment, in focusing on 17 U.S.C. s.512(c)(1)(A) instead of following the plaintiffs' detailed assertions regarding *Grokster*, abides by what some commentators have termed an established practice of interpreting the test for knowledge of infringement narrowly and favourably for service providers.⁸⁸⁹ This assertion in no small part stems from the fact that even the element of awareness of "facts or circumstances from which infringing activity is apparent" has been interpreted rather narrowly.⁸⁹⁰ This is likely to be regarded as troubling by those

⁸⁸⁶ *Viacom*,(n15),28, citing *Veoh*,(n870)1116-1118.

⁸⁸⁷ See 17 U.S.C. s.512(m).

⁸⁸⁸ *Viacom*,(n15),24; citing H.R.Rep.1976,46; S.Rep.,1998,46.

⁸⁸⁹ Ginsburg,(n19),596-597; See also J. Breen, "YouTube or YouLose: Can YouTube Survive a Copyright Infringement Lawsuit?", 16Tex.Intell.Prop.L.J.151,164(2007).

⁸⁹⁰ See *Corbis Corp. v. Amazon.com, Inc.* 351F.Supp.2d1090,1108(W.D.Wash2004).

that observe that both the phraseology and vertical latitude of s.512(c)(1)(A)(ii) would seek to shore up the immediately preceding “actual knowledge” factor in s.512(c)(1)(A)(i). Correspondingly, some might thus argue that, by requiring knowledge of specific and identifiable infringements for both subsections, Stanton J has significantly reduced the scope s.512(c)(1)(A)(ii). Other commentators will in turn no doubt ponder whether the judge’s approach, in particular in relation to the knowledge requirement, does not seek to address an imbalance in the DMCA which, as the Senate and House Reports stipulate, should resemble at least in this instance, a truce.⁸⁹¹

Lastly, it must be noted that it is likely that some of the above will be considered again since Viacom has filed an appeal.⁸⁹²

5) Information Location Tools

The fourth and last safe harbour, situated in s.512(d), concerns “information location tools” exempts from liability service providers referring or linking to web locations exhibiting infringing material or providing the means to such by directories, indexes or search facilities.⁸⁹³ It requires absence of actual knowledge or awareness of facts or circumstances from which infringing activities are apparent is required,⁸⁹⁴ just as the expeditious removal or disabling of access to such material in the event of such.⁸⁹⁵ The OSP may not draw direct financial benefit from any infringement where the OSP has the right and ability to control such activity.⁸⁹⁶ As with the aforementioned sections, the OSP must also be compliant with the “takedown regime”.⁸⁹⁷ Again, the OSPs is under no duty to seek out copyright infringement.⁸⁹⁸

The Senate Report clarifies that the intended objective of the actual knowledge/“red flag” requirement includes the exclusion from the safe harbour of

⁸⁹¹ S.Rep.No.1998,8.

⁸⁹² *Viacom Int’l, Inc., et al., v. YouTube, Inc., et al.*, No.10-3270(2ndCir.).

⁸⁹³ 17USC512(d);S.Rep.1998,57.

⁸⁹⁴ 17USC512(d)(1)(A),(B).

⁸⁹⁵ 17USC512(d) (1)(C).

⁸⁹⁶ 17USC512(d) (2).

⁸⁹⁷ 17USC512(d)(3);s.512(c)(1),(d).

⁸⁹⁸ 17USC512(m).

sophisticated “pirate” directories that refer users of such to other selected sites containing pirated works, for example, films and music.⁸⁹⁹ This is highlighted due to the fact that such directories are currently virulently prevalent means of illegitimate OSPs in making use of the produce of the content providing industry.

It was held in *Perfect 10, Inc. v. CCBill LLC* that the defendant’s actions were not within the scope of the limitation; the defendant, following approval of payment, displayed hyperlinks for consumers to thereafter access client websites, also issuing passwords. The Ninth Circuit held that despite links arguably falling into the categorisation of “information location tools”, the plaintiff had not claimed infringement due to the links but rather its other supporting activities and moreover the particular safe harbour in the provided protection for infringements by reason of referral or linking.⁹⁰⁰

The courts also clarified matters relating to the knowledge requirement. In *Costar Group Inc. v. Loopnet, Inc.*, it was held that OSPs using humans to index/catalogue websites, thereby viewing them and arguably obtaining knowledge of their content, in particular their infringing character, would *not* fall outside the scope of the instant safe harbour. In *Perfect 10, Inc. v. CCBill LLC* also on the topic of the requisite knowledge, the defendants had to defend themselves against allegations that dealing with URL names indicating piracy reached the requisite standard of awareness/knowledge. The Ninth Circuit held that references to piracy or illegality could be equated to mere puffery.

The district court in one of its first decisions held that Napster did not qualify for protection under the transmission safe harbour, but rather offered search and directory services specifically designed to allow users to locate music, most of which was copyrighted.⁹⁰¹ The district court found that Napster had constructive knowledge of its users’ illegal conduct, especially given Napster executives own downloading of infringing material onto their own computers and promoting such on the website.⁹⁰² As such, the judge noted sarcastically that “defendant has failed to persuade this court that s.512(d) shelters contributory infringers.”⁹⁰³ Despite

⁸⁹⁹ S.Rep.1998,58.

⁹⁰⁰ *CCBILL*, (n848)1117.

⁹⁰¹ *Napster*, (n722),919.

⁹⁰² *Ibid*,920.

⁹⁰³ *Ibid*,919fn24.

ultimately holding Napster contributorily liable, and therefore outside the remit of s.512(d), the Ninth Circuit disagreed with the district court's basis for its pronouncement.⁹⁰⁴ However, the Ninth Circuit refused to delve into the matter.⁹⁰⁵

As noted above, concerning s.512(c), in particular in the discussion on *Viacom*, the question regarding notice and/or knowledge/awareness of infringing activity is pivotal, this question has not been satisfactorily determined.

6) Notice and Takedown

Under the notice and takedown provisions in s.512(c) the copyright holder may notify an OSP of allegedly infringing material on the OSP's system. After receipt, such must either be removed or access to such blocked. The OSP will have designated a DMCA agent and notified such to the Copyright Office and to the public on its service, per s.512(c)(2). OSPs may ignore notices which are not in "substantial compliance",⁹⁰⁶ moreover, such notices may not be used in a subsequent action to impute knowledge of infringing activity, e.g for contributory infringement. Once content has been blocked or removed, the OSP must also notify the user, in response to which such may send a "counter notification" claiming mistake or misidentification pursuant to s.512(f).⁹⁰⁷ Where such counter notification complies with the statutory requirements, the OSP must provide the copyright holder with such. Thereafter, unless the copyright holder takes action, the OSPs must replace or unblock the material within 10 to 14 business days of receiving the counter notification.⁹⁰⁸

7) Subpoena to Identify Infringers

⁹⁰⁴ Napster,(n730),1025.

⁹⁰⁵ Ibid.

⁹⁰⁶ See *ALS Scan v. RemarQ Communities*,239F.3d619(4th Cir.2001); L.Rybka, *ALS Scan, Inc. v. Remarq Communities, Inc.: Notice and ISPS' Liability for Third Party Copyright Infringement*,11DePaul-LCA J.Art&Ent.L.479(2001).

⁹⁰⁷ See *Lenz*,(n19); K. O'Donnell, *Lenz v. Universal Music Corp. and the Potential Effect of Fair Use Analysis Under the Takedown Procedures of § 512 of the DMCA*,DukeL.&Tech.Rev.,2009.

⁹⁰⁸ 17USC512(g)(2).

In order to balance Title II of the DMCA, s.512(h) includes provisions to allow copyright holders to request the issuance of subpoenas to service providers for the identification of alleged infringers.

It was held in *Recording Industry of America v. Verizon Internet*, that the ISP had rightly refused to identify subscribers requested by RIAA, as the subpoenas related to activities as *conduit* for allegedly infringing material.⁹⁰⁹ After hearing RIAA's contention that the definition of ISP in s.512(k)(1)(B) makes s.512(h) applicable, irrespective of the function being performed (transmitting, caching, hosting, locating), the court stoutly reasoned that "this argument borders upon the silly" since "any notice to an ISP concerning its activity as a mere conduit does not satisfy the condition of § 512(c)(3)(A)(iii) and is therefore ineffective".⁹¹⁰

However the Court of Appeal also noted that s.512(c)(3) does apply to the OSP that stores material per s.512(b)-(d).⁹¹¹

Verizon, to the extent cited above, was approved of in *In re Charter Communications, Inc.*, where the Eight Circuit vacated various subpoenas ordered to be enforced by the district court. The case raised several interesting issues apart from the approval that s.512(h) is linked structurally to storage and not transmission functions. Unfortunately the court, whilst explicitly sharing Charter's concerns regarding the constitutionality of the subpoena mechanism due to the possible invasion of "power of the judiciary by creating a statutory framework pursuant to which Congress, by statute, compels the clerk of court to issue a subpoena, thereby invoking the court power", limited its judgement to obiter or in this respect.⁹¹² The court also somewhat instructively on this issue, to make good regarding the disclosure, issued several options to the district court regarding RIAA's options to return, delete, disuse the information.⁹¹³

These matters were also considered in *In Re Subpoena to University of NC at Chapel Hill*, in which the court followed the above reasoning in *Verizon* and without attributing Nimmer "paraphrased" his views.⁹¹⁴ The court however also

⁹⁰⁹ *RIAA v. Verizon Internet*, 351 F.3d 1229 (D.C. Cir. 2003).

⁹¹⁰ *Ibid*, 1236.

⁹¹¹ *Ibid*, 1237.

⁹¹² *In re Charter Communications, Inc.*, 393 F.3d 771, 778 (8th Cir. 2005).

⁹¹³ *Ibid*.

⁹¹⁴ *Ibid*, 956. Nimmer, 12B.09[A].

stated that whereas the relevant section may allow a relevant person to seek a subpoena from any district court, this does not mean that every district court has jurisdiction to issue a subpoena compelling action from persons outside the district.⁹¹⁵

8) Termination of Repeat Infringers

S.512(i)(1)(A) requires OSPs, as part of the conditions of eligibility for safe harbour protection, to adopt and reasonably implement policies to under appropriate circumstances terminate repeat infringers. Unfortunately that is the remit of the guidance the statute provides. Several commentators have noted that this is an unsatisfactory situation, leading to unnecessary legal uncertainty.⁹¹⁶ It can only be presumed that when the statute was negotiated it was preferred to leave this matter up to the courts since consensus could not be reached. This has prompted commentators such as Nimmer to provide sample policies.⁹¹⁷

9) Conclusion & Comparison

It is difficult to answer the question posed at the beginning of the section, namely whether the DMCA “provides certainty for copyright owners and Internet service providers with respect to copyright infringement liability online”. The above does however make clear concerning this question that the opposing industries, namely the content providing and producing industries, will likely have different but variable answers, depending on the particular circumstances and situations certain market actors find themselves in. This naturally reflects the complexity of the section.

⁹¹⁵ Ibid,957.

⁹¹⁶ See M.A.Lemley&R.A.Reese, *Reducing Digital Copyright infringement Without Restricting Innovation*, 56Stan.L.Rev.1345,1420(2004), citing David Nimmer, *Appreciating Legislative History*,23CardozoL.Rev.909(2002).

⁹¹⁷ David Nimmer,Repeat Infringers,52 J.CopyrightSoc’y167(2005).

It should be noted that it is a hallmark of the DMCA that each of the four bases operates independently, as noted above, for example in relation to *Napster*. Moreover, as *Field* has shown, where an OSP seeks to avail itself of a safe harbour and fails, it may nonetheless defend itself using other recognised defences, such as fair use or implied license. One commentator has shrewdly observed that in circumstances where an OSP has failed to engage safe harbour protection this may not count against the OSP in terms of the operability of any other defence, which should be applied, *without prejudice*, with reference to general jurisprudence. This is straightforward given s.512(l) specificity: “Other Defenses not Affected”. Conversely, however, in a situation where an OSP almost manages to activate safe harbour protection the statute does not offer guidance as to the *benefits* to the OSP in terms of other defences and it would therefore seem that such an argument would not be forestalled.⁹¹⁸ This seems logical if only because the facts are likely in such circumstances to support such an outcome.

In terms of a comparison to the UK, in particular the E-Commerce Regulations and to a certain extent s.28A CDPA 1988, represent the equivalent of spirit of protection for the acts of OSPs in relation to information passing through or present on their systems.⁹¹⁹ This means that both regimes contain defences relating to OSPs exhibiting characteristics of mere conduits, caching and hosting in relation to information/works. An individual comparison in relation to the definitions and operation of the three classes of defences present in both jurisdictions reveals that those corresponding to each other are substantially similar, with the exception that in the UK OSPs may avail themselves also of s.28A CDPA 1988, concerning acts of temporary reproduction, which could be viewed as supplemental to the defences of mere conduit/caching, if recently in effect somewhat diminished in scope, as observed in Part 2. Moreover it is worth reiterating that in *Viacom* the Second Circuit’s judgement is eagerly awaited, given that the district court’s opinion effectively enlarged the scope of the hosting defence by holding contrary to the statutory requirement, but arguably in line with the legislative history, that ‘awareness of facts or circumstances from which infringing activities apparent’ does not suffice; only actual knowledge meets the requisite standard, as discussed above.

⁹¹⁸ *Nimmer*, (n477), [12B.06[B][1]].

⁹¹⁹ Part2, ChapterC(l)(2), (ll).

D. Relevant Defences to Claims of Copyright Infringement

Having examined in-depth both primary and third-party infringement in Chapters B-C, including exceptions specifically tailored to the latter immediately above, it now behoves to analyse relevant defences. In doing so, the important category of fair use is examined in-depth and is followed by, given its significance an immediate conclusion and comparison to the UK equivalent. The following raises an appropriate awareness of other legal and equitable defences. Such may apply to OSPs, either directly or indirectly, and thus have a bearing in delineating the scope and applicability of 3PCL. The discussion in this Chapter particularly references this fact in D(I)(4). To the extent that these defences lessen the applicability of US 3PCL theories, this could have a bearing on the validation of the comparison which is being carried out, but also aids in testing the theories so as to judge their operability for incorporation or modification of UK 3PCL, which is the object of the secondary research question.

I. Fair Use

In broad terms, the doctrine of fair use can be described as a doctrine which allows a third party to defend itself in an action the copyright infringement that was developed by the courts, and later codified to a certain extent in the 1976 Act.⁹²⁰

1) Origins & Delineation

The doctrine of fair use was developed by case law in the US, most notably in *Folsom v Marsh*.⁹²¹ Story J identified several criteria in assessing whether the inclusion of the letters had been fair use; “the nature and objects of the selections

⁹²⁰ 17USC107.

⁹²¹ *Folsom v. Marsh*, 9F.Cas.342(CCDMass.1841)(No.4901).

made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work”.⁹²² It will be observed that the fair use factors embodied in s.107 can be said to be similar.

Despite the doctrine of fair use having been described as akin to an exclusive right in *Rosemont Enterprises, Inc. v Random House, Inc.*, it only operates as a result of a claim by a copyright holder of *prima facie* copyright infringement.⁹²³ It is logical that the defendant must prove that the alleged infringing use was in fact fair use, which is a mixed question of law and fact. It has been noted in respect of the s.107 factors that “courts balance these factors to determine whether the public interest in the free flow of information outweighs the copyright holder's interest in exclusive control over the work.”⁹²⁴

Section 107, as indicated above, now requires that for a determination that the fair use exception applies *at least* four factors must be considered:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The statute precedes these by setting out in a type of preamble examples such as “criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research”. Recorded legislative intent indicates the

⁹²² *Leaffer*, (n464), 470-471, citing *Ibid*, 348.

⁹²³ *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 306-307 (2nd Cir. 1966) citing *Ball, Copyright and Literary Property*, 260 (1944). Rec.viewing: *Latman, Fair Use of Copyrighted Works, Study No. 14*, prepared for the Subcommittee on Patents, Trademarks and Copyrights, Senate Comm. on the Judiciary, 86th Cong., 2d Sess. (Comm. Print 1960).

⁹²⁴ *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1152 (9th Cir. 1986) citing *DC Comics, Inc. v. Reel Fantasy, Inc.*, in 696 F.2d 24, 27 (2nd Cir. 1982).

non-definitive nature of the preamble and the flexible, open application that the four factors.⁹²⁵

2) Productive and Reproductive Use

Scholars and courts alike have in respect of the above noted two diverse strands of categorisation of fair use.⁹²⁶ The first may be termed ‘productive use’ and the second, ‘reproductive use’. The former is most notably espoused and defended by Seltzer;⁹²⁷ such uses, as the name suggests, build upon the original work thereby creating added value. This may also be termed ‘transformative use’ of the original, on that creates “new information, new aesthetic, new insights and understandings”, an example of which is this very thesis.⁹²⁸ The appeal of this theory lies in the ideal of direct subsequent public benefit, which is consistent not only with the general if somewhat ephemeral modern policy of copyright law, but arguably also the justification for copyright in the Constitution, as identified above.

The opposing school of thought, is represented by Lawrence and Timberg,⁹²⁹ and recognises so-called “reproductive uses/non-productive uses” of works, where copies of such are used in more or less the same manner as the original.

Some commentators have decried the attempted splitting or narrowing of the fair use doctrine as being baseless in terms of both the statute and the legislative history.⁹³⁰ A persuasive argument presented by Leaffer is that multiple copies for classroom use do not fall within the concept of transformative use, but arguably do “advance the progress of science and useful arts”.⁹³¹ However the most persuasive and important, also for this thesis, source of support for the school of thought rejecting a limitation of fair use to so-called “productive uses” in *Sony*, in

⁹²⁵ H.R.Rep,1976,66.

⁹²⁶ See *Sony*,(n8),475(Blackmun); *Campbell v. Acuff-Rose Music, Inc.*,510U.S.569,579(1994).

⁹²⁷ See L.E. Seltzer, *Exemptions and Fair Use in Copyright: The Exclusive Rights Tension in the 1976 Copyright Act*, (Harvard,Cambridge,1978).

⁹²⁸ *Ibid.*,24.

⁹²⁹ DC Farmer, *Writing with Light: the Metaphysics of the Copyright Process in the Betamax Cases*,7CommEnt L.J.111(1984-1985)136.

⁹³⁰ Leaffer,(n464),473; L.G.Lape, *Transforming Fair Use: The Productive Use Factor in Fair Use Doctrine*, 58Alb.L.Rev.677(1995).

⁹³¹ Leaffer,(n464),473.

which the Supreme Court supported private non-commercial home taping of TV programmes for timeshifting purposes.⁹³² Despite being reproductive it upheld the defence, focusing instead on the negligible commercial impact of the fair use.

Whereas the courts especially since *Sony* explain and justify fair use in economic terms, this has been questioned. Yet to understand why this is the case, the economics must be rationalised first. One presumed aim/purpose of copyright law is the trade off between the provision of monopoly rights to encourage or incentivise the creation of original works and the wide dissemination of such, benefiting society. Fair use, clearly falls into the latter category of optimal dissemination, detracting from the monopoly right at issue, where 'optimal' is defined as a state of affairs where users would be deprived of the benefit of certain works were they put in a position where they had to acquire licenses and incur transaction costs are access to such. It has been stipulated that given that under certain circumstances users would rather avoid such transaction costs, which encompasses not only the license costs but also the opportunity cost inherent, such would not be socially desirable in particular since, it is alleged, this particular type of dissemination does not have a negative commercial impact, but may, in fact, at times have a positive one. Commentators have termed such situations where users may make use of copyright works as long as the above described market failure is inherent in such use and negative commercial impacts on the copyright holder lacking as insufficient.⁹³³ Critics have suggested that the economic analysis school of thought has a wrong angle on social benefit in leaving cultural development out of the equation.⁹³⁴ Thus a wider policy base for the fair use doctrine is advocated, one that possibly even takes negative commercial impact into account.

3) The Four Factors in Context

⁹³² *Sony*, (n8), 442 (1984).

⁹³³ See W. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax case and Its Predecessors*, 82 Colum. L. Rev. 1600 (1982); G.S. Lunney, *Fair Use and Market Failure: Sony Revisited*, 82 B.U.L. Rev. 975 (2002); W. Gordon, *The 'Market Failure' and Intellectual Property: A Response to Professor Lunney*, 82 B.U.L. Rev. 1031 (2002).

⁹³⁴ W. Patry, *The Fair Use Privilege in Copyright Law* (2nd Ed. Wash. D.C. Bureau of Natl. Aff. 1995) 561-64.

Before going on to examine the doctrine of fair use in the context of the content providing/content using industry and the intersection with 3PCL in this regard, the discussion will benefit immeasurably from briefly analysing the precise remit of the fair use factors individually.

a) The Purpose and Character

A significant distinction is drawn in the courts between, non-commercial, for example non-profit educational use⁹³⁵ and, on one view, the economic impact that unavoidably comes hand-in-hand with commercial use, even for-profit educational use.⁹³⁶ It is thus submitted that it is more difficult to establish fair use in the courts where such is the result of commercial transactions for profit,⁹³⁷ the reverse presumption is true for non-profit use.⁹³⁸ The derogation from this comes in the form of use of a “work which contains unfair, inaccurate, or derogatory information”⁹³⁹ as applied in *Hustler Magazine, Inc. v. Moral Majority, Inc.*⁹⁴⁰

b) Nature of the Copyrighted Work

The second fair use factor distinguishes between types of works; some works require greater public access than others.

The situation concerning what have been termed “informational works” is arguably no longer determinatively affected by the question of whether the alleged fair use occurred *prior* to publication or not. In circumstances where a work had not been published the crucial right of an author to control *previously* considerably tipped the balance against a finding of fair use, as for example in

⁹³⁵ *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1377 (1973) aff'd S.Ct., 420 U.S. 376 (1975).

⁹³⁶ *Encyclopaedia Britannica*, (n577).

⁹³⁷ *Sony*, (n8) 451.

⁹³⁸ H.R.Rep., 1976, 66-7.

⁹³⁹ H.R.Rep., 1976., 73.

⁹⁴⁰ *Hustler* (n924).

Harper & Row, Publishers, Inc. v. Nation Enterprises.⁹⁴¹ It was arguably the holding in *Wright v. Warner Brothers, Inc.*⁹⁴² that some unpublished works are more equal than others, that sparked the amendment of s.107 that “the fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors”.⁹⁴³

c) Amount and Substantiality of the Portion Used

The third factor, the amount and substantiality of the portion used in relation to the copyrighted work as a whole, implicitly examines the link between what has been used and the necessity for the relevant fair use objective. The examination includes qualitative and quantitative aspects. It may, for example suffice to use verbatim excerpts to prejudice application of the fair use doctrine, even in very long works, on a qualitative basis, as noted in *Craft v. Kobler*.⁹⁴⁴

d) Negative Impact on Market or Value

As was stated in *Sony*, the fourth fair use factor is the most important. The lack of an impact on the market for or value of a work most directly ties in with the systemic justification for fair use. Commentators have noted that the fourth factor is circular in its reasoning and that policy dictates its application. Courts will consider whether the incentive to create original works is threatened by use that might impact on potential sales, marketability or replaced demand for the original, as in *Hustler*.⁹⁴⁵ As held in *Ty, Inc. v. Publ’ns Int’l Ltd.*, where use is made of a work

⁹⁴¹ *Harper & Row, Inc. v. Nation Enterprises*, 723 F.2d 181 (2d Cir. 1983), *rev’d*, 773 F.2d 881 (2d Cir. 1985).

⁹⁴² *Wright v. Warner Brothers, Inc.*, 953 F.2d 731 (2d Cir. 1991).

⁹⁴³ 102 Pub. L. No. 492; 106 Stat. 3145 (1992).

⁹⁴⁴ *Craft v. Kobler*, 667 F. Supp. 120, 128 (SDNY 1987).

⁹⁴⁵ *Hustler*, (n924), 1155-1156; citing respectively *Meeropol v. Nizer*, 560 F.2d 1070 (2d Cir. 1977); *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F. Supp. 741, 747 (S.D.N.Y. 1980); *Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 96 (2d Cir. 1977), *cert denied*, 434 U.S. 1014, 98 S.Ct. 730, 54 L.Ed.2d 759 (1978); *Berlin v. E.C. Publications, Inc.*, 329 F.2d 541, 545 (2d Cir. 1964), *cert denied*, 379 U.S. 822, 85 S.Ct. 46, 13 L.Ed.2d 33 (1964).

such as reproduction which complements a work, such as more likely to the harboured within the fair use doctrine.⁹⁴⁶

The type of harm to the market may logically be potential harm, as in *Meeropol v. Nizer*.⁹⁴⁷ However, as always a plaintiff must submit evidence of quantifiable harm. In this context this is most easily done by pre-existing goodwill or contractual frameworks that are already in place.⁹⁴⁸ However, a plausible showing of the potential future availability or option of such will also suffice.⁹⁴⁹

4) **Affectations: The Content Using Industry**

Given the focus of this thesis it would be remiss not to examine how the fair use doctrine interacts with the content using industry's reproductive technologies. This will be done by first examining older technologies, which then affords in perspective and in-depth analysis pertaining to a particular subset of OSPs, which in turn enables the identification of the precise bearings of the fair use doctrine, leading to a promulgation of certain predictions concerning the future.

a) **The Past and Present**

Technological developments have meant that just as copyright has struggled to adapt, the fair use doctrine has remained steadfast. One possible explanation is that technological development to date, for example from piano rolls to MP3s, evidences two aspects; the first is that copying by such means is, generally, not productive use, and the second, that works are increasingly copied in their entirety, which should according to intrinsic logic tend to take such copies outside of a fair use consideration.

⁹⁴⁶ *Ty, Inc. v. Publ'ns Int'l Ltd.*, 292 F.3d 512, 517-518 (2002).

⁹⁴⁷ *Meeropol*, (n945).

⁹⁴⁸ *See Elvis Presley Enterprises, Inc. v. Passport Video*, 349 F.3d 622 (9th Cir 2003).

⁹⁴⁹ *See Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 567-568 (1985).

Another view is however that as *Sony* showed, the doctrine may be stretched to apply in circumstances where there is non-commercial use and no presumption of harm to the market due to an “insufficient” proof of future potential harm. Many would question this, just as Justice Blackman in *Sony*, noting that it was Congress’s intention to limit fair use to productive use. However such a view is to a certain extent at least, obviated in light of the above discussion referencing *Encyclopaedia Britannica Educational Corporation v. Crooks*; the case despite the unfortunate name, stemming the concept that commercial videotaping of films in copyright even though for educational use will not be covered by the fair use doctrine.

In *Napster*, as mentioned above, the defendant argued that there was a clear analogy to *Sony* in that the software was capable of substantial non-infringing uses, such as sampling before buying, and permissive distribution by official sources. Moreover it was argued in *Napster* that “space-shifting” had occurred.

The court however rejected Napster’s fair use defence; concerning: a) the purpose and character of the use it was noted that such was reproductive and commercial; b) & c) the nature and amount copied it was held that creative works were copied in their entirety; d) the effect on the market was deemed to be negative, since such use discouraged CD sales.

Concerning the defence of “space shifting” and sampling, the court noted that the latter negatively impacted the market for online music downloads under that the former was to be distinguished from the leading case at the time on space shifting, *RIAA v. Diamond Multimedia Systems*, where works were legitimately copied onto MP3 players.⁹⁵⁰ This position markedly differs from that in the UK, where such space shifting is still not excepted, despite being on one view, unenforceable.

5) Conclusion & Comparison

It may broadly be summarised that the above discussion of fair use exhibits the outcome that in most cases the courts will consider two issues as determinative; social benefit of the use of the work in terms of whether it is productive or

⁹⁵⁰ *RIAA v. Diamond Multimedia Systems, Inc.*, 29F.Supp.2d624(C.D.Cal.1998); aff’d; 180F.3d1072,1079(9th Cir.1999).

reproductive; and the harm to the market of the copyright work, factoring whether a use is commercial/non-commercial. It is also clear that the most problematic uses claimed to be fair use are:

a) reproductive non-commercial uses combined with new technologies. Here, not only will public benefit in disseminating the work or the market impact/failure be relevant but also the impact/chill on the “protected category” of new technology; and

b) productive commercial uses. Here, the nature and amount of the use will be determinative.

It is also clear that in terms of OSPs and 3PCL, the above reproductive non-commercial uses combined with new technologies category is more relevant.

The opposing industry interests have been delineated in Part 1, and the stand-off finds itself replicated concerning fair use.⁹⁵¹ The content using industry and its customers naturally support the fair use doctrine and infer a basis beyond the purely economic or as described above. The content providing industry discounts the notion of market failure; ironically due to the fact that the fair use doctrine and market failure were concepts of a “low tech marketplace” where such failures were prone to arise. It is argued that such failures less likely to occur nowadays due to technological advances that reduce transaction/opportunity costs.

The development of fair use can be said to be organic in respect of the above difference of opinions but entirely inorganic concerning the use of content management/technical protection measures. It is concerning this development that fair use, as noted above, is being affected by the targeted counter development to technological advances in reproduction equipment. Due to the fact that technical measures enforce rights and by creating a form of “para-copyright” in that works are no longer primarily protected by the exclusive rights granted to the rights holder but rather by technological methods and systems; the exceptions to the previous methods of protection are forcefully circumvented. Whereas it has been previously assumed that the answer to the machine was the machine in this respect, the market has proven this to be somewhat illusory, particularly regarding space shifting. This is however not to detract from the fact

⁹⁵¹ Part1,ChapterA(II).

that the use of anti-circumvention measures has been codified in 17 USC 1201.⁹⁵² Yet s.1201(a)(1)(c) preserves fair use in unlikely instances where tech-savvy users are able to circumvent the TPMs, accessing the work, and using it.⁹⁵³ It is entirely feasible that the content providing industry may yet successfully support a resurgence in the use of TPMs, no matter how unlikely this seems at present.

Given the emphasis on the “*monetisation*” of access to non-permanent copies of works in the content providing industry, reproduction, and thereby the classical concept of fair use in this respect, is likely to fade somewhat. Moreover, given that commentators have noted that the US stands alone in providing specific exceptions to copyright as well as the broad category of fair use, which is broader than the example in civil law countries like Germany, most notably due to the fact that it is dynamically case law driven, instead of reliant on legislation for its evolution, could lead to calls by the many countries that have adopted the latter approach for harmonisation in this respect.⁹⁵⁴ In terms of a comparison to the UK, it is obvious that the concept of “fair dealing” as examined in Part 2, despite fulfilling similar functions, falls far short of the concept of “fair use” which is much broader in scope and again, does not rely on legislation for its primary development.

The recent Hargreaves review of the UK intellectual property system⁹⁵⁵ notes, following a comparison to other EU neighbours generally that “the UK does not currently exploit all the exceptions available” and acknowledges the above observations concerning the US fair use doctrine.⁹⁵⁶ In particular, UK reticence to similarly broad adoptions is characterised as an apprehension of legal uncertainty following the court-based development of the doctrine in the US, and a

⁹⁵² But see the exceptions 17 USC 1201(a)(1)(c)-(j).

⁹⁵³ See the recent recommendation by the previous Register of Copyright (June 10, 2010) “RM 2008-8; Rulemaking on Exemptions from Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies”, http://www.wired.com/images_blogs/threatlevel/2010/07/dmcaexemps.pdf (07 May 2011). See also: Librarian of Congress’ Statement (July 26, 2010) <http://www.copyright.gov/1201/2010/Librarian-of-Congress-1201-Statement.html> (07 May 2011).

⁹⁵⁴ Note the interplay with the three step test in Art. 9(2) Berne. But see Final Report of the Ad Hoc Working Group on US Adherence to the Berne Convention, 10 Colum.-VLA JL & Arts 513 (1986). Note equally Art. 13 TRIPS.

⁹⁵⁵ Hargreaves, (n425).

⁹⁵⁶ Ibid., 42, 44 contradictorily citing one D. Cameron.

comparative disapproval of the linked necessity for litigiousness.⁹⁵⁷ It is stated that the doctrine permits risk-taking, which implies pushing legal boundaries on the part of the content using industry, but it is argued that this is mainly appropriate elsewhere *inter alia* given American business risk and investor culture. Moreover, the report admits not seriously considering adopting ‘US style fair use’ due to UK government lawyers’ ‘advice’.⁹⁵⁸ The review however proposes both the adoption of some exceptions which are feasible within the current EU law framework and the exploration of future exceptions at an EU level. It proposes “enabling new research tools” meaning immediate UK interim measures for non-commercial “text mining” accessing databases for such purposes, and pursuance of a commercial counterpart at EU level.⁹⁵⁹ The second stand-alone category discussed proposed is “private copying/format shifting”, given present EU permission, if coupled with compensation.⁹⁶⁰ A limited private copying exception proposal was expected, and its adoption long overdue owing to widespread disregard for the law.⁹⁶¹

Lastly must be remarked that, despite the above observations, the UK however came close to, or was on course for a “fair use style” private/domestic use exception concerning the previous cable programme right covering Internet transmissions in the 1990s, as discussed in Part 2.⁹⁶²

II. Other Legal and Equitable Defences

In addition to the fair use doctrine there are other more general defences available to a defendant in a copyright infringement action. These will be briefly discussed. Regarding the legal defences, these include the fact that the plaintiff must establish jurisdiction and prove by a preponderance of the evidence ownership and unlawful copying, that the term of copyright has not expired, compliance with

⁹⁵⁷ Ibid,44

⁹⁵⁸ Ibid,46

⁹⁵⁹ Ibid,48

⁹⁶⁰ EUCD,Art.2(b).

⁹⁶¹ Reproduction for own and immediate family on different media.

⁹⁶² Part2,ChapterB(II)(2)(c),(7).

statutory formalities where relevant and the plaintiffs work may be subject to an exemption or compulsory license.⁹⁶³

Statute of Limitations

For civil copyright infringement actions s.507 specifies that the limitation period is three years, running from the date on which the claim accrued.⁹⁶⁴ In general terms the date on which the claim accrued is the date on which the copyright holder learns of the tortious wrong or could have learned of it through the exercise of reasonable diligence. Concealment by the defendant or a connected party will mitigate.⁹⁶⁵

Laches

For the equitable defence of laches to succeed, the defendant must show that the action is untimely, there was negligence in failing to act sooner, and that this failure has prejudiced the defendant.⁹⁶⁶ The defence of laches does not have a set time period of limitation, unlike the 1976 Act specified above, but that plaintiff's claims of laches whilst the claim is within the set statutory period, is problematic.⁹⁶⁷ Laches runs from the time the plaintiff knew or should have known about actual or impending infringement, irrespective of whether ownership has been claimed or not.⁹⁶⁸ Finally, laches bars monetary recovery.

Estoppel

As *Carson v. Dynergy, Inc.*, shows, a defendant may also rely on the equitable defence of estoppel where the:

(1) plaintiff knows the facts of the defendant's infringing conduct;

⁹⁶³ 17 USC 108-120..

⁹⁶⁴ 17 USC 507(b).

⁹⁶⁵ *Taylor v. Meirick*, 712 F.2d 1112, 1118 (7th Cir. 1983) citing *Prather v. Neva Paperbacks, Inc.*, 446 F.2d 338, 340-41 (5th Cir. 1971); *Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp.*, 546 F.2d 570, 573-74 (4th Cir. 1976). See also Act of Sept. 7, 1957, Pub.L. 85-313, 71 Stat. 633; compare H.R. Rep. 1976, 164.

⁹⁶⁶ *DANJAQ LLC v. Sony Corporation*, 263 F.3d 942, 955 (9th Cir. 2001).

⁹⁶⁷ *Lyons*, (n556) 797, 507 (trumps equity); *Ibid*, 954 (equity mostly prevails); *Jacobsen v. Deseret Book Co.*, 287 F.3d 936, 950-951 (10th Cir. 2002) (equity prevails sometimes).

⁹⁶⁸ *Kling v. Hallmark Cards Inc.*, 225 F.3d 1030, 1036 (9th Cir. 2000) citing *Portland Audubon Soc'y v. Lujan*, 884 F.2d 1233, 1241 (9th Cir. 1989) (quoting *City of Davis v. Coleman*, 521 F.2d 661, 667 (9th Cir. 1975)).

(2) plaintiff intends that its conduct shall be acted on or, must so act that the defendant has a right to believe that it is so intended;

(3) defendant must be ignorant of the true facts; and

(4) defendant must rely on the plaintiff's conduct to its injury.⁹⁶⁹

It follows that this particular defence may be utilised where the plaintiff aided or regarded the alleged infringement as non-infringing, or that there was no copyright at issue.⁹⁷⁰ Depending on the length of the acquiescence, the defence can be operable against past, or continuing infringement.⁹⁷¹

Other defences

Ownership of copyright may be challenged by the assertion of either abandonment or forfeiture of copyright. Both are distinct from each other. Forfeiture has occurred in cases as a result of improper motives upon publication. The defence does not relate to the copyright holders intent. Abandonment requires intent to surrender rights residing in the work, as evidenced by overt acts.⁹⁷²

Misuse of copyright, related to the doctrine of “unclean hands”, but adopted from patent law, where it was almost statutorily terminated,⁹⁷³ may be allowed as a defence where the plaintiff has committed serious misconduct such as the example, fraud.⁹⁷⁴ In a similar vein, a defendant may claim the defence of “fraud on the copyright office”, having its origins in also in the doctrine of “unclean hands” and patent law. In such a defence it is usually required that the plaintiff wilfully misstated/failed to state facts upon knowledge of which the Copyright Office would rejected the application the copyright.⁹⁷⁵ As a result the Copyright Office will usually hold the registration invalid, thereby withdrawing its support from infringement action.

⁹⁶⁹ *Carson v. Dynegy, Inc.*, 344F.3d446,453(5th Cir.2003).

⁹⁷⁰ *Nimmer*, (n477), [13.07].

⁹⁷¹ *Hayden v. Chalfant Press, Inc.*, 281F.2d543(9th Cir.1960) affirming *Hayden v. Chalfant Press, Inc.*, 177F.Supp.303,308(SDCal.1959).

⁹⁷² See *Pacific and Southern Co., Inc. v. Duncan*, 744F.2d1490(11th Cir.1984).

⁹⁷³ 35USC271(d).

⁹⁷⁴ *Lasercomb America, Inc. v. Reynolds*, 911F.2d970,973-977(4th Cir.1990).

⁹⁷⁵ See *Whimsicality, Inc. v. Rubie's Costume Co., Inc.*, 891F.2d452(2nd Cir.1989); *Lennon v. Seaman*, 84F.Supp. 2d522(SDNY2000).

Lastly it should be noted that innocent infringement does not operate as a defence, except for the very narrow scenarios.⁹⁷⁶

E. Remedies

Given that this section is intrinsically intended for reference, the basis for comparison being Part 2, the issue of remedies under the 1976 Act will be examined as befitting this fact. As stated in Part 2, it is logical to examine remedies at this juncture, having analysed categories of works, primary and 3PCL, and defences by OSPs, which have failed partially or completely.

Sections 502-505 of the 1976 Act specify the remedies available to copyright holders, or potentially, licensees, for the infringement of their copyrights. The most relevant will be dealt with sequentially in this Chapter. Moreover, specific provisions contained in Title II DMCA will also be identified.

I. Injunctions

1) General Provisions

In civil actions both temporary and final injunctions on any terms that are deemed reasonable to prevent or restrain infringement are governed by s.502(a).

As in the United Kingdom, with *American Cyanamid*, there is a somewhat similar test, which has been developed by the courts over the years. A contemporary interpretation of this standard is that what is required is the:

[S]howing of possible irreparable injury to the copyright owner and either (1) probable success on the merits, or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation

⁹⁷⁶ See s.406(a),(b)(e.g.notice errors prior to BCIA).

and a balance of hardships tipping decidedly towards the party request in the preliminary relief.⁹⁷⁷

In respect of the above test, it has been noted by observers that preliminary injunctions are usually granted in the instance where delay would deprive the plaintiff of relief and cause potential irreparable harm.⁹⁷⁸ However in instances where damages would be sufficient injunctions are not granted. Moreover, the standard also favours copyright holders to the extent that a showing irreparable harm will be taken to have occurred where the plaintiff exhibits evidence of *prima facie* copyright infringement.

2) Digital Millennium Copyright Act 1998 Provisions

As has been mentioned above, an OSP that finds shelter under one of the s.512 safe harbours may nonetheless be subject to limited injunctions.⁹⁷⁹ These limitations break down into several categories. The first split is between the first safe harbour, TDNCs, and the other three categories.

a) Transitory Digital Network Communications

Under this category, in the DMCA specifies two types of injunctions, the first is directed at infringing subscribers to an OSP and the second is what can be described as a blocking order, one or both of which may be granted.⁹⁸⁰ Under the former, the OSP is obliged to cease providing access to a subscriber engaging in infringement by terminating the account.⁹⁸¹ In the latter instance the OSP must

⁹⁷⁷ Repeatedly adopted by 2nd Cir.: *Sonesta Int'l Hotels Corp. v. Wellington Associates*, 483 F.2d 247 (2nd Cir. 1973); *Caulfield v. Board of Ed. of City of New York*, 583 F.2d 605, 250 (2nd Cir. 1978); see W.H. Mulligan, *Foreword—Preliminary Injunction in the Second Circuit*, 43 Brooklyn L. Rev. 831, 832-33 (1977).

⁹⁷⁸ Leaffer, (n464), 439.

⁹⁷⁹ 17 USC 512(j).

⁹⁸⁰ 17 USC 512(j)(1)(B).

⁹⁸¹ 17 USC 512(j)(1)(B)(i).

take reasonable steps, as specified in the order, to block access to specific, identified, online locations outside the US.⁹⁸²

b) Other Three Safe Harbours

Concerning the last three safe harbours, three types injunctions are specified which may be granted individually or combined.⁹⁸³ The first concerns infringing material, and again requires the OSP to restrain from providing access to such.⁹⁸⁴ The second, as above concerns providing access to the OSPs network to subscribers infringing copyright by terminating relevant accounts.⁹⁸⁵ The third and additional category, unique to the other three safe harbours, permits the court to order injunctive relief necessary to prevent/restrain infringement concerning specified online locations in the event that such is least burdensome to the OSP when compared to the other categories available, or other relief.⁹⁸⁶

c) Mandatory Considerations

Section 512(j)(2) specifies four considerations much the court must take into account in granting an injunction. The considerations are concerned with the appropriateness and proportionality of the relief. The court is therefore first asked to consider whether an injunction would “significantly burden either the provider or the operation of the provider’s system network”; secondly, “the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement”; thirdly, whether implementing the junction considered would be technically feasible and effective and “would not interfere with access to non-infringing material at other online location; and lastly, whether there are other

⁹⁸² 17 USC 512(j)(1)(B)(ii).

⁹⁸³ 17 USC(j)(1)A).

⁹⁸⁴ 17 USC(j)(1)A)(i).

⁹⁸⁵ 17 USC(j)(1)A)(ii).

⁹⁸⁶ 17 USC(j)(1)A)(iii).

comparatively effective means which are less burdensome with a view to preventing restraining access to infringing material.

Concerning the last criterion, despite the legislative history not providing any insight into the proper functioning of the considerations, they may nonetheless defeat injunctive relief under many circumstances.⁹⁸⁷ Therefore the provisions support the contention that, no matter how counter intuitively, the more widespread certain infringement manifests itself, the less likely it is that injunctive relief would be granted. This policy clearly supports the content using industry, and is in line with the stated intent of the safe harbours, providing a clear counterpoint to the balancing exercise referred to above for injunctions granted under the 1976 Act.

Lastly it should be noted that injunctive relief against OSPs protected under the safe harbour provisions is only available in an “on notice” procedure. S.512(j)(3) specifies that the OSP must have an opportunity to appear, except where the injunction concerns the preservation of evidence or would have “no material adverse effect on the operation” of the OSPs network. The last part of the prohibition of ex parte orders is open to interpretation, despite the scope of such, being limited.

3) Conclusion & Comparison

In comparatively concluding concerning injunctions, despite general similarity, remarkable dissimilarity concerning the functioning of injunctions in both jurisdictions may be found concerning OSP activities. The standard for the grant of in particular injunctions in the US on a general basis is substantially similar to the UK test espoused in *American Cyanamid*. In both jurisdictions specific relatively recent legislation has come into effect that governs the grant of injunctions. Whereas in the UK the Enforcement Directive aims to shore up the availability of for example interlocutory injunctions, the Commission has identified a general insufficiency in the ease of availability. It is to be expected that concerning in particular interlocutory injunctions more precise standards concerning evidence

⁹⁸⁷ *Nimmer*, (n477), [12B.11[B]].

and standards of proof will be legislated for EU wide. The same directive also requires effective preservation of evidence, seizure, and identity of alleged infringers as well as the freezing injunctions, which for the most part had already been in place prior to the introduction of this piece of European legislation, where and as indicated in the relevant sections. However, as also highlighted in Part 2 concerning injunctions, particular problems arise concerning OSPs given the concomitant requirement of availability of injunctions by Art.8(3) EUCD and Art.11 Enforcement Directive, and the unresolved interplay of Art.5 EUCD concerning OSP exemptions such as acts of temporary reproduction. There is therefore at present uncertainty of scope in the UK concerning injunctions in this regard.

Whereas most UK provisions concerned with injunctions govern positive availability, it is remarkable that the DMCA contains provisions governing/limiting the availability and moreover the scope of such. In particular as regards the precise delineation of any injunctions for particular acts by OSPs, this is without parallel in UK jurisprudence. This can be said to logically be a result of the protection afforded by the DMCA safe harbours, despite the fact that the equivalent UK E-Commerce Regulations safe harbours do not speak to or exempt from injunctive relief in this respect.

It may therefore be observed that the injunctions regime in the UK, despite its problems, is overall stricter and favours the content producing industry more than that in the US.

II. Damages and Profits

Having examined specific relief targeted at preventing infringement, pecuniary recompense for the violation of copyright can now be turned to. There are generally two types available; the copyright owner's actual damages and any additional profits of the infringer; or statutory damages.⁹⁸⁸ It will immediately be apparent that the section is quite generous in offering both actual damages and

⁹⁸⁸ 17USC504(a).

profits. Later examination, below, will reveal that the statutory damage provision can be said to be equally if not more generous. The plaintiff must choose the category before final judgement.⁹⁸⁹

1) Actual Damages and Profits

In the computation of actual damages and profits the plaintiff can only recover profits which have not been included in the computation of actual damages.⁹⁹⁰ In practice however plaintiffs must choose between actual damages or profits due to the fact that these will to a very large extent represent the same harm. Actual damages are computed considering the loss of market value of copyright work and profits are computed by the showing of the copyright holder of the infringer's gross revenue subject to any deductible expenses and any profits attributable to other factors. It is up to the defendant to prove deductible expenses and elements of profit due to other sources.⁹⁹¹ Moreover, the court is permitted to reject a party's measure of damages as being too speculative, as in *Stevens Linen Assocs., Inc. v. Mastercraft Corporation*.⁹⁹²

In the choice between actual damages and profits, most plaintiffs focus on recovering the defendant's profits, due to the fact that actual damages are difficult to prove,⁹⁹³ but it is also worth considering to what extent indirect profits are recoverable. The question arises due to the fact that s.504 states that any profits attributable to the infringement may be recovered. It follows that indirect profits are within the remit of the specification. This was affirmed in *Frank Music Corporation v. Metro-Goldwyn-Mayer, Inc.*⁹⁹⁴ Yet this naturally depends on a plausible computation,⁹⁹⁵ as echoed in *Rainey v. Wayne State University*.⁹⁹⁶ It is

⁹⁸⁹ 17 USC 504(c)(1).

⁹⁹⁰ 17 USC 504(b).

⁹⁹¹ H.R.Rep.,1976.,161.

⁹⁹² *Stevens Linen Associates, Inc. v. Mastercraft Corp.*,656F.2d11,14(2nd Cir.1981).

⁹⁹³ *Leaffer*,(n464),441.

⁹⁹⁴ *Frank Music*,(n688).

⁹⁹⁵ *Ibid*,519.

⁹⁹⁶ *Rainey v. Wayne State University*,26F.Supp.2d963,971(E.D.MI1998); citing *Cream Records, Inc. v. Joseph Schlitz Brewing, Co.*,754F.2d826,829(9th Cir.1985).

therefore submitted that there must be some logical, immediately quantifiable, nexus between the indirect profits and the infringement.

2) Statutory Damages

Statutory damages may be elected at the pleasure of the plaintiff which has complied with the registration requirements of the 1976 Act.⁹⁹⁷ The level of statutory damages is assessed concerning all the infringements in the requisite action and “concerning any one work to which any one infringer liable individually, or for which any two or more infringers the liable jointly and separately”.⁹⁹⁸ It was held in *Feltner v. Colombia Pictures Television, Inc.*, that upon the election of statutory damages a jury trial is constitutionally mandated. Commentators have noted that the statutory damage remedy provides a “reasonable prospect of being paid” and limits expensive and time-consuming modes of proof including the use of expert witnesses when proving the profits.⁹⁹⁹ Yet high output content providers such as photographers or foreign copyright holders are unlikely to register their copyright due to uncertainty of exploitation and/or lack of means.¹⁰⁰⁰

It remains to be noted that there are three statutory damage “bands” as specified in s.512(c). The first band consists of damages between 750 and 30,000 USD in the absence of wilful or innocent infringement.¹⁰⁰¹ The second band allows, on a discretionary basis, for an increase to 150,000 USD, given a finding of wilful infringement as proven by the copyright holder.¹⁰⁰² The third band allows the court to reduce the statutory damages to 200 USD, where the infringer was not aware or had no reason to know that an act of copyright infringement was taking place.¹⁰⁰³

Several things must be noted concerning the statutory bounds. Firstly, the Act does not define wilfulness for the purpose of increasing the damage award. However, in *NAS Import Corp. v. Chenson Enters. Inc.*, the court found wilful

⁹⁹⁷ 17USC412.

⁹⁹⁸ 17USC504(c)(1).

⁹⁹⁹ *Leaffer*, (n464), 445.

¹⁰⁰⁰ *Kuppers*, (n511).

¹⁰⁰¹ 17USC504(c)(1).

¹⁰⁰² 17USC504(c)(2).

¹⁰⁰³ 17USC504(c)(2).

infringement in cases where the defendant knew or had reason to know or recklessly disregarded the fact that particular conduct would result in the copyright infringement.¹⁰⁰⁴ *Prima facie* evidence of such would be a defendant's disregard of the plaintiff's proper notices of copyright infringement.

The statutory damage award is per work, irrespective of the number of infringements. Concerning the question of what constitutes a work for the purposes of the statutory damage award, the general rule is that a separate award may be granted for individual elements that are economically separate,¹⁰⁰⁵ such as individual episodes in a TV series.¹⁰⁰⁶ Concerning compilations or collective works it was held in *UMG Recordings, Inc. v. MP3. Com* that statutory damages may not be calculated on a per song basis, but rather on the basis of the compilation CD.¹⁰⁰⁷

It lastly remains to note that commentators have identified a problem concerning the aggregation of statutory damage awards in certain cases where awards may congregate to exhibit constitutionally excessive characteristics.¹⁰⁰⁸

3) Conclusion & Comparison

In concluding and comparing damages and account of profits, the emphasis of this thesis is on the establishment of liability and only to a lesser extent of the consequences of it. The above nonetheless affords the opportunity to appropriately conclude and compare on this matter. It is immediately obvious that the regimes in both jurisdictions vary to the extent that in the UK the plaintiff must elect between damages and profits, whereas in the US not only is this not the case, in certain circumstances statutory damages which may also be claimed. This means that copyright holders successfully establishing liability are in a stronger position to reap pecuniary recompense. It must be stated that that is the general

¹⁰⁰⁴ *NAS Import, Corp. v. Chenson Enterprises, Inc.*, 968F.2d250,252(2nd Cir.1992) citing *inter alia* *Fitzgerald Publishing Co. v. Baylor Publishing Co.*, 807F.2d1110,1115(2nd Cir.1986).

¹⁰⁰⁵ *Gamma Audio & Video, Inc. v. Ean-Chea*, 11F.3d1106,1117(1st Cir.1993) citing *Walt Disney Co. v. Powell*, 897F.2d565,569(D.C.Cir.1990)(quoting *Stigwood*, 530F.2dat1105) but as rejected in *UMG Recordings, Inc. v. MP3.Com, Inc.*, 109F.Supp.2d223,225(SDNY2000).

¹⁰⁰⁶ *Columbia Pictures v. Krypton Broadcasting*, 259F.3d1186(9th Cir.2001).

¹⁰⁰⁷ *UMG Recordings, Inc. v. MP3.Com, Inc.*, 109F.Supp.2d223,225(SDNY2000); *Twin Peaks Prods. Inc. v. Publications Int'l, Ltd.*, 996F.2d1366,1381(2d Cir.1993).

¹⁰⁰⁸ *Kuppers*, (n511).

overall position, given that plaintiffs may have difficulty establishing one or the other category for the reasons outlined above, and in particular both together, as representing different harm, evidentially. Additionally, the election of statutory damages requires the compliance with registration requirements, and is at times open to an argument of excessiveness via aggregation. It would, generally speaking, be inappropriate, particularly given the lack of a robust fair use regime in the UK, to adopt an abandonment of election of compensation or indeed statutory damages.

PART 4 – CONCLUSIONS & PROPOSALS

A. Introduction

This introduction fundamentally delineates the foregoing discourse in Parts 1-3; thus providing a logical transition to the explanation of the discussion in this Part. The primary and secondary hypotheses of this thesis were introduced and contextualised in Part 1.¹⁰⁰⁹

I. The Discourse in Parts 2 & 3

The discourse in Part 2 has meticulously and systematically delineated and examined the primary hypothesis and laid the foundation for the secondary hypothesis; which was continued in-depth in Part 3. Part 2 analysed UK third-party copyright liability intrinsically and extrinsically within the UK copyright system, incorporating legal, policy and business perspectives; Part 3 analysed US third-party copyright liability intrinsically and extrinsically within the US copyright system, incorporating legal, policy and business perspectives and then proceeded to compare and contrast findings with those documented in the preceding UK Part.

II. The Discourse in Part 4

The discourse in this chapter has two purposes. It summarises the conclusions and comparisons in Parts 2 & 3, which allows for a logical shift to arguing and proving the secondary hypothesis. Thus having proven the need for reform and established the viability of the mode for reformulation, tailored discussion leads to a promulgation of fused and novel third-party copyright liability concepts. Therefore,

¹⁰⁰⁹ Part1,ChapterB(II)(2).

Part 2 will be concluded, then Part 3, which will be followed by the final reform discourse including recommendations.

B. UK Intrinsic Conclusion (Part 2)

I. The System of Copyright Protection

An essential taxonomy of basic aspects pertaining to the copyright system and works in the UK was undertaken in A(I), including the relationship between EC, International and UK law, formalities and the term of copyright. This has aided the referenced 'building block' approach of this thesis, since without delineating what the subject matter of protection is, linked rights cannot later be discussed.

The work of the Copyright Committees was introduced in A(I)(2), allowing appropriate referral in D(VII)(1) concerning the incorporation of authorisation into the conceptual class of secondary liability. It may be observed from A(I)(3), as noted in A(I)(6) that the subject matter of protection has expanded and at times amalgamated. It is clear that technology was the main driver. Two opposing views of this expansion were presented in A(I)(6); one more aligned with the content producing industry and one with the content using OSP industry: Targeted protection and legal certainty versus insufficiently balanced expansive automation. Irrespective of whether the expansion of the applicability of restricted acts into previous *terra incognita* is to be applauded or decried, it has in itself deepened the potential liability of OSPs, naturally including on a third-party basis.

II. Primary Copyright Infringement

A tailored examination of the most important aspects pertaining to the acts restricted by copyright has been carried out in B(I-III). Specifically, within primary copyright infringement, the communication to the public and reproduction rights

have been analysed. This has been particularly important since it has provided the basis for 3PCL, but also a template for contrasting 3PCL in as explained in B(I) and particularly relevant to D(I-IV).

1) The Communication to the Public Right

Chapter B(II) examines the communication to the public right in detail, including its background and history as well as its International and European development. This leads to a discussion of the highly important finding that the right, particularly at EU level is uncertain in scope.¹⁰¹⁰ It has the potential to apply in a manner that would severely prejudice OSP interests, more so than it would actually benefit the content providing industry. The possibility of a broadly applicable access/para-copyright would potentially bringing many more acts within its remit in OSP contexts and thus makes OSP 3PCL much more likely. This highlights the need for legally certain and situationally appropriate theories of 3PCL – thus feeding into the calculus of this thesis' primary hypothesis.

Very interestingly, this Chapter also provides proof that with the previous cable programme right, UK copyright law in the 1990s was more proximate to theories of 'fair use' than might generally be assumed.¹⁰¹¹ Thus, a shift broadly inuring to the benefit of the content industry may be identified, notwithstanding the 'new' and narrower definition of 'broadcaster'.¹⁰¹²

2) The Reproduction Right

The section examining the reproduction right, B(III) begins by demarcating such and then explains transient forms as well as 'little & often' and the concept of 'substantial taking'. The aspect of transient reproduction is without doubt important and noteworthy.¹⁰¹³ It is moreover concluded that recent definitions

¹⁰¹⁰ Part 2, Chapter B(II)(4).

¹⁰¹¹ Part 2, Chapter B(II)(2)(c).

¹⁰¹² Part 2, Chapter B(II)(2)(b).

¹⁰¹³ Part 2, Chapter B(III)(2).

inure to the benefit of the content using/OSP industry due to defining ‘substantial part’ narrowly requiring reproduction in each transient copy rather than cumulatively.¹⁰¹⁴

III. Relevant Defences against Copyright Claims

Having covered both relevant protectable subject matter and rights pertaining to this, relevant defences are analysed. These are split into permitted acts/fair use and E-Commerce Directive Regulations. It was seen that the former are narrow and generally less relevant in film and music OSP contexts, but that the latter’s tripod of defences were specifically crafted to protect OSP activities. The exception to this generally accurate statement comes in the shape of s.28A CDPA 1988, which being part of the regimen of ‘permitted acts’ purports to allow under certain circumstances the making of temporary copies. The difference between s.28A and Reg.17 was discussed. It was noted concerning s.28A that recent interpretation of the constituent element ‘independent economic significance’ tends to favour the content providing industry.¹⁰¹⁵ Moreover, the remit or applicability in OSP contexts has been diminished to a certain extent by recent CJEU jurisprudence.¹⁰¹⁶ It may thus be stated that recent jurisprudence has tended to contract the tailored defences, which stands to benefit the content providing industry rather than, specifically, the OSP industry. As such this tends to enlarge the importance of *inter alia*, the clarity of scope of 3PCL theories.

As C(II) and (III) have explained, it can be observed that the E-Commerce defences are exceptions and thus function differently to the permitted acts in Ch.3 CDPA 1988, which provide complete defences not permitting courts to use Remedies outlined in Chapter D(V)(2)-(3) to end alleged infringements.¹⁰¹⁷ Remaining compliant with what are in effect ‘safe harbours’ is paramount for OSPs, for example once notice is served of infringement, action must be taken, or such protection potentially lapses.

¹⁰¹⁴ Part2,ChapterB(III)(2-4).

¹⁰¹⁵ Part2,ChapterC(I)(2)(a),(III).

¹⁰¹⁶ Part2,ChapterC(I)(b).

¹⁰¹⁷ Part2,ChapterC(III), see E-Commerce Directive,Arts 12(3),13(2),14(3).

Whereas it is clear that legislators have with great foresight adopted a regime permitting OSPs to thrive, it is clear that this is limited,¹⁰¹⁸ specifically so for a finding of ‘authorisation’ or ‘control’.¹⁰¹⁹ For this reason again, it may be underlined that the importance of the primary hypothesis cannot be overstated. UK 3PCL must be clear and efficient, taking into account the balance of the regime it resides in.

IV. Third-Party Liability for Copyright Infringement

Following the delineation of subject matter and primary rights pertaining to these, including defences, Chapter D examines 3PCL, the central subject matter of the thesis, in detail, as well as logically directly connected subject matter. After an examination of the two UK 3PCL theories, authorisation¹⁰²⁰ and joint tortfeasorship for procurement and common design,¹⁰²¹ available remedies¹⁰²² and the DEA 2010¹⁰²³ were discussed in depth. The Chapter concludes with the justification for revising 3PCL, proving the primary hypothesis.¹⁰²⁴ This allows for the subsequent, in Part 3, foundational analysis for aid in ultimately reformulating 3PCL, below, in this Part.¹⁰²⁵

Chapter D(I-IV) and D(VII) make a very solid intrinsic case for reform. Following a delineation of the intrinsic *situs* of theories of 3PCL and interesting developmental boundaries, the two main categories are discussed. This examination not only defines the theories by reference to their own developmental derivation but immediately assesses their application. It is found that the common law concepts of both authorisation and procurement/common design are severely lacking. This is the case for several reasons. The initial problem lies with the fact that 3PCL

¹⁰¹⁸ However *note* the differences between C(II)(1), (2) and (3) specifically concerning knowledge/notice.

¹⁰¹⁹ Part2,ChapterC(III).

¹⁰²⁰ Part2,ChapterD(III).

¹⁰²¹ Part2,ChapterD(IV).

¹⁰²² Part2,ChapterD(V).

¹⁰²³ Part2,ChapterD(VI).

¹⁰²⁴ Part2,ChapterD(VII).

¹⁰²⁵ Part4,ChapterD.

should not be left to the inadequate developmental arena of judge made law;¹⁰²⁶ the UK has seen and is likely to see too few cases to test and develop a well tailored approach.¹⁰²⁷ Both the content producing and using industries however stand to benefit from and require tailored clarity of the highest order in this very rapidly evolving area;¹⁰²⁸ it was submitted that increased misapplication is highly likely to manifest itself.¹⁰²⁹ The reason for this was discussed in depth; the theories are much too general and broad, could swerve into the realm of facilitation to the extent they have not already done so, are at times conflicted.¹⁰³⁰ Given the recognised value and thus need for the adequate preservation and evolution of OSP activities,¹⁰³¹ 3PCL must be reformed. Yet this is not one sided, the content providing industry would thus also be able to conduct appropriate and legally certain risk assessments. It was suggested that the CDPA 1988 is amended to include statutory 3PCL definitions.¹⁰³² The conclusions thus provided the crucial justification of an examination of the largest most litigious and developed unitary copyright jurisdiction in the world; the US, with the aim, after having ensured sufficient compatibility, of benefiting from the rapid evolution of US 3PCL theories and the ideas behind them.¹⁰³³

It was also found that such a legislative reformulation of 3PCL could be taken advantage of with respect to the inadequacies concerning remedies cited in D(V). Most importantly in this area, the interplay between Art.8(3) EUCD and Art.11 ED could be clarified.¹⁰³⁴

Lastly it was found in ChapterD(VI) but in particular (VI)(6) and (VII)(2) that the DEA 2010 will not have a significant direct impact upon considerations relating to the primary or secondary hypothesis of this thesis. However, it will create new

¹⁰²⁶ Part2,ChapterD(VII)(1) Lord Devlin.

¹⁰²⁷ As compared with other jurisdictions, like the US; Part2,ChapterD(III)-(IV) judges in the cases analysed, which are almost all of the directly relevant ones cited, acknowledge this fact by borrowing from abroad.

¹⁰²⁸ Note shift from piano rolls to MP3s and shifting technological distribution mechanisms by OSPs, in particular decentralised networks (Napster to Kazaa) as referenced in Part3,ChapterC(III),(IV),(V).

¹⁰²⁹ Part2,ChapterD(VII)(1).

¹⁰³⁰ Part2,ChapterD(III)-(IV)and(VII)(1).

¹⁰³¹ Part2,ChapterC;motivations behind EUCD and EC Dir.

¹⁰³² Part2,ChapterD(VII)(1)“QuoVadis”.

¹⁰³³ The presence of financially dominant film, music and OSP industries factored into this decision.

¹⁰³⁴ Part2,ChapterD(V)(3)(b),(VII)(1).

obligations and liabilities for OSPs generally. It was found that compliance with the Act could under certain circumstances aid in avoiding 3PCL by offering proof of standing apart.¹⁰³⁵ It was recommended that ISPs scrutinise their subscriber agreements to check for any scope for liability for breach of contract, and that perhaps were it not for the DEA 2010, action could lie for procuring breach of contract on the part of the content providing industry.¹⁰³⁶

C. US Intrinsic & Comparative General Conclusion (Part 3)

Following the affirmation of the primary hypothesis, Part 3 proceeds to both analyse 3PCL intrinsically as part of the US copyright system. Structurally Part 3 is similar to Part 2. This enables successive comparison of constituent parts to ensure a sufficient degree of systemic compatibility, validating the imposition of thus evolved theorems and legislative discourse. This means that, sequentially, the; statutory regime,¹⁰³⁷ meaning evolution and subject matter; primary copyright liability,¹⁰³⁸ meaning the primary rights attached to the aforementioned; 3PCL,¹⁰³⁹ including general delineation, theories and their application, including legislative exceptions; defences,¹⁰⁴⁰ including fair use; and remedies¹⁰⁴¹ are analysed intrinsically and compared to the UK.

I. Statutory Regime

The statutory regime is discussed in A(I); this includes the evolution of the federal system, successive copyright acts, a taxonomy of relevant categories of works and matters pertinent to such, including fixation, originality, formalities and the term of copyright. This Chapter lays the foundation for the following Chapters.

¹⁰³⁵ Part2,ChapterD(VII)(2).

¹⁰³⁶ Part2,ChapterD(VI)(6).

¹⁰³⁷ Part3,ChapterA.

¹⁰³⁸ Part3,ChapterB.

¹⁰³⁹ Part3,ChapterC.

¹⁰⁴⁰ Part3,ChapterD.

¹⁰⁴¹ Part3,ChapterE.

It was found that *overall* the US now has a federal, unitary, copyright system.¹⁰⁴² This allows for a valid comparison to the UK. Concerning the classes of subject matter relevant to this thesis, a tendency to broaden categories was also documented. As relevant; ‘sound recordings’ however being a late arrival,¹⁰⁴³ ‘musical works’ include accompanying works, and ‘motion pictures’, separate from ‘audiovisual works’ include sound tracks.

Whereas other minor differences presented themselves, such as the approach to originality,¹⁰⁴⁴ formalities¹⁰⁴⁵ and term of copyright,¹⁰⁴⁶ it was concluded that such differences did not preclude the system operating in a similar fashion, nor did they preclude an observation of similarity validating further comparison.

II. Primary Copyright Infringement

Having examined the federal system and subject matter of protection in A(I), relevant applicable exclusive rights are analysed; reproduction,¹⁰⁴⁷ distribution,¹⁰⁴⁸ public performance¹⁰⁴⁹ and display,¹⁰⁵⁰ with close jurisprudential delineation throughout. As in Part 2, close attention is paid to focusing the discussion on music and film related infringement in OSP contexts.

In concluding in D(VIII) it may be observed that US legislators have been translated their awareness of the need to balance both industry interests, as evidenced by the DMCA or DPRSA, yet this has sometimes been difficult to achieve in practice.¹⁰⁵¹

The detailed concluding comparison in B(VII) makes clear that 3PCL is situated differently, contrary to the UK, being termed ‘secondary liability’. Primary infringement is verified as being more targeted and detailed, as are the exceptions.

¹⁰⁴² Part3,ChapterA(1),(7).

¹⁰⁴³ Part3,ChapterA(2),(7).

¹⁰⁴⁴ Part3,ChapterA(4),(7).

¹⁰⁴⁵ Part3,ChapterA(5),(7).

¹⁰⁴⁶ Part3,ChapterA(6),(7).

¹⁰⁴⁷ Part3,ChapterB(II).

¹⁰⁴⁸ Part3,ChapterB(III).

¹⁰⁴⁹ Part3,ChapterB(IV).

¹⁰⁵⁰ Part3,ChapterB(V).

¹⁰⁵¹ Part3,ChapterB(IV),(VII).

Concerning reproduction, the US system has directly implemented more innovative remuneration mechanisms.¹⁰⁵² This arguably lessens the likelihood of litigation. Regarding the distribution right, one important aspect concluded in B(VII)(2) is that there also exists a ‘making available’ controversy in the US, as to the satisfaction of the alleged right. As B(VIII)(3) concludes, the rights of public performance and display differ from the UK. The US right of public performance includes motion pictures (films) and sound recordings in a more unqualified manner compared to the UK.¹⁰⁵³ The US right of public display was analogised to the UK right of public performance in OSP contexts; and the US public performance right in OSP and digital audio transmission contexts to the UK communication to the public right.¹⁰⁵⁴ The AHRA 1992 discussed in B(VI) is noteworthy as an example how the lobbying for the DEA 2010 could have been handled more amicably; it is concluded accordingly.¹⁰⁵⁵

Concerning the above, in respect of the secondary hypothesis in this Part below, it is important to note that despite the differences highlighted, the US and UK systems thus far operate in a sufficiently similar fashion to allow for certain conceptual 3PCL transplants.

III. Third-Party Liability for Copyright Infringement (Intrinsic)

The central section of Part 3 on 3PCL first delineates 3PCL developmentally, intrinsically¹⁰⁵⁶ and extrinsically,¹⁰⁵⁷ also referring to other related theories of liability,¹⁰⁵⁸ before analysing the categories of vicarious¹⁰⁵⁹ and contributory¹⁰⁶⁰ as

¹⁰⁵² Part3,ChapterB(II)(2)“Mechanical Licenses”,“Digital Audio Transmissions”(IV),(VI),(VII).

¹⁰⁵³ Part3,ChapterB(VII)(3);e.g. CDPA 1988 s9(1),(3);but note s.20,Communication to the Public.

¹⁰⁵⁴ Part3,ChapterB(3).

¹⁰⁵⁵ Part3,ChapterB(4).

¹⁰⁵⁶ Part3,ChapterC(I)(2).

¹⁰⁵⁷ Part3,ChapterC(I)(1).

¹⁰⁵⁸ Part3,ChapterC(II).

¹⁰⁵⁹ Part3,ChapterC(III).

¹⁰⁶⁰ Part3,ChapterC(IV).

well as inducement liability.¹⁰⁶¹ Thereafter the provisions of the DMCA are examined, which operate as exceptions, or ‘safe harbours’.¹⁰⁶²

1) Vicarious Liability (Intrinsic Conclusion)

The US 3PCL theory of vicarious liability is concluded in C(III)(2). Its expansion from early landlord cases,¹⁰⁶³ or indeed from *respondeat superior* was charted.¹⁰⁶⁴ US jurisprudence has dared to evolve the concept, which has so far mostly been refused in non master-servant/employment in the UK.¹⁰⁶⁵ The theory adapted by shedding the requirement of direct financial benefit or physical premises. It was concluded in C(III)(2) that the theory has its limits and that OSPs may seek to circumvent the control/supervision requirement. It is however submitted that this does not detract from the value of the theory in terms of the secondary hypothesis; this mainly occurring in P2P scenarios and vicarious liability not being the only theory at the disposal of aggrieved parties.

2) Contributory Liability (Intrinsic Conclusion)

In C(IV)(1) and (4) the theories of contributory and inducement liability are delineated respectively. C(IV)(2)(3) examines the constituent elements of contributory liability and analyses its application in jurisprudence. C(IV)(4) compares both theories and C(V) correspondingly concludes.

It was an important observation in C(V) that the disparate strands of US 3PCL may coexist in an action for infringement. This heightens a likelihood of liability on the part of the OSP industry. Moreover it was observed that as vicarious liability has evolved, so has contributory/inducement liability. As indicated, the plethora of OSP related litigation has yielded to OSPs navigating the waters of 3PCL a vision of

¹⁰⁶¹ Part3,ChapterC(IV)(4),(5).

¹⁰⁶² Part3,ChapterC(VI).

¹⁰⁶³ Part3,ChapterC(III)(1).

¹⁰⁶⁴ Part3,ChapterC(II).

¹⁰⁶⁵ Part2,ChapterD(II)(1).

a new safe harbour on the horizon; the logical separation of secondary and tertiary ‘infringers’.¹⁰⁶⁶ The theory of inducement most famously propagated in *Grokster*, could be seen to be the most recent, and perhaps given its expansiveness, last, pro-content industry stage in the evolution of US 3PCL. It however, as explained, was the result of a ‘war of definitions’ and it is concluded compliments vicarious liability from a content providing industry perspective quite well. This is not to say that contributory or inducement liability are perfect specimens of 3PCL,¹⁰⁶⁷ but they have evolved considerably, as documented, and they can be said to shift the scales into a satisfactory balance between the content providing and using industries. This proves, intrinsically, their net worth for a pre-reformulation assessment of UK 3PCL and thus the secondary hypothesis.

VII. The Digital Millennium Copyright Act 1998

The Chapter on 3PCL includes C(VI) which examines the DMCA in detail; explaining the reasons for enactment, its limitations to claims for infringement and functioning in terms of ‘notice and takedown’, subpoenas and termination of repeat infringers. C(VI)(10) concludes and compares the DMCA to the situation in the UK.

It may at the outset be concluded that the DMCA, as a precursor to a certain extent s.28A CDPA 1988 and to the E-Commerce Directive Regulations 2002,¹⁰⁶⁸ includes three remarkably similar categories of ‘safe harbours’ in which liability for copyright is limited.¹⁰⁶⁹ This bears repeating. Liability is limited, this means that the legislation’s specifications for example designation of agents and procedures must be followed; moreover where liability is limited, an OSP may still have to comply with supplemental court orders.¹⁰⁷⁰ It may however, unsurprisingly, broadly be stated that the DMCA’s categories function in similar ways to the E-Commerce

¹⁰⁶⁶ Part3,ChapterC(V); *Visa*(n749)as discussed(IV)(2).

¹⁰⁶⁷ Part3,Chapter(C)(V) on the at least *theoretical* possibility of crafting OSP services to avoid liability despite an objectively determined infringing business model.

¹⁰⁶⁸ See Part2,ChapterC(II)(1)-(3), or just (III);C(I)(2).

¹⁰⁶⁹ Part3,ChapterC(VI)(3)-(5).

¹⁰⁷⁰ Part3,ChapterC(VI)(7),(8),(9).

Directive Regulations and thus do not impede the fulfilment of the secondary objective/hypothesis of this thesis.

IV. Relevant Defences to Claims of Copyright Infringement

Having reached a point in the thesis at which liability may be produced in a number of ways, the general avoidance of such is discussed in Chapter D including; ‘fair use’ which is delineated, examined in depth,¹⁰⁷¹ concluded and compared to the equivalent regime in the UK,¹⁰⁷² and other legal and equitable defences.¹⁰⁷³

It may be concluded that the US primarily case law developed doctrine of fair use is wider and more important than the seemingly equivalent doctrine of fair dealing in the UK. A debate, however, concerning reproductive and productive uses has been referenced;¹⁰⁷⁴ the social benefit and determination in this respect affects the courts view of the applicability of the fair use doctrine. Moreover, even fair use plays no part in TPM “para copyright”. It has been concluded that the content providing industry emphasis on “monetisation”, meaning access and less ownership also means that the category of fair use is likely to fade in relevance.¹⁰⁷⁵

Section D(I)(5) also references the Hargreaves review of UK intellectual property in this regard, noting that the UK system does not exploit all available exceptions for example in able to by EU law. However, the “Review” tenuously rejects a broader fair dealing category due to the “risk-taking” and “pushing legal boundaries” which is viewed as an appropriate and more in tune with “American risk and business investor culture”.¹⁰⁷⁶ The lack of risk taking and litigiousness in the UK is precisely the reason why the category of 3PCL is chronically under developed, not to venture to say the connected industries’ evolution. However, expansion to

¹⁰⁷¹ Part3,ChapterD(I)(1)-(4).

¹⁰⁷² Part3,ChapterD(I)(5).

¹⁰⁷³ Part3,ChapterD(II).

¹⁰⁷⁴ Part3,ChapterD(2).

¹⁰⁷⁵ Part3,ChapterD(5).

¹⁰⁷⁶ Part3,ChapterD(5).

ultimately allow “text mining” and the already *de facto* present category of “private copying/format shifting” are proposed.¹⁰⁷⁷

It is concluded that the discrepancy between fair use on fair dealing does not give rise to a significant incompatibility regarding the secondary hypothesis of this thesis. On the contrary, the fact that fair dealing in the UK is comparatively limited in scope, emphasises the need for reform of 3PCL to at the very least ensure greater legal certainty.

V. Remedies

The last Chapter in Part 3 examines the result of a finding of copyright infringement in terms of remedies; the discussion is split into an analysis of injunctions,¹⁰⁷⁸ damages & profits¹⁰⁷⁹ and includes intrinsic as well as comparative conclusions to the UK.¹⁰⁸⁰

1) Injunctions

It was concluded in E(I)(3) that despite an overall general similarity between the two jurisdictions concerning the functioning of injunctions, differences in specific instances as to their functioning in particular concerning OSPs could be observed. For example, as the UK Part has referenced and as was comparatively concluded, the interplay of European legislation places the exact scope of injunctions in doubt.¹⁰⁸¹ Conversely, the DMCA contains provisions dissimilar to those in the E-Commerce Directive Regulations,¹⁰⁸² which stand to exempt from injunctive relief.¹⁰⁸³

¹⁰⁷⁷ Part3,ChapterD(5).

¹⁰⁷⁸ Part3,ChapterE(I).

¹⁰⁷⁹ Part3,ChapterE(II).

¹⁰⁸⁰ Part3,ChapterE(I)(2),(II)(3).

¹⁰⁸¹ Part3,ChapterE(3);Part2,ChapterD(V)(3)(b).

¹⁰⁸² Part2,ChapterC(II),(III);D(V).

¹⁰⁸³ Part3,ChapterE(I)(2).

As a result it may be concluded that whereas there are no inherent systemic incompatibilities perverting the grafting of US 3PCL concepts as proposed by the second hypothesis to this thesis. On the contrary, it has been shown again, as throughout Part 3, that the status of the law in the UK supports reformulating UK 3PCL. The balance of the law in the UK is, comparatively, against OSP interests. This means that rebalancing UK 3PCL by reforming it to reflect greater legal certainty and allow appropriate risk analysis is also in this respect important.

2) Damages and Profits

The second part of the discourse on remedies analyses damages and profits in the US,¹⁰⁸⁴ including statutory damages,¹⁰⁸⁵ subsequently comparing and contrasting such to the UK.¹⁰⁸⁶

Whereas the emphasis of this thesis is clearly on the establishment of liability, what follows is relevant to the extent that if pecuniary remedies were non-existent this would detract somewhat from the importance of clear 3PCL. It was concluded in E(II)(3) that the approach in both jurisdictions varies most importantly in the choice of remedies. In the UK claimants must elect between damages and profits, whereas in the US this is not principally the case and statutory damages may be claimed; which are entirely absent in the UK. This is tempered by the fact that a US plaintiff faces potentially difficult evidentiary hurdles in establishing a case for one or the other, or indeed both categories of harm/recompense.¹⁰⁸⁷ The fact that statutory damages may aggregate¹⁰⁸⁸ further adds to a higher likelihood of higher pecuniary rewards payable by OSPs in the US compared to the UK. Whereas this would, somewhat unusually in UK contexts as shown above, on the whole, comparatively, tend to favour the UK OSP industry, it may nonetheless be argued, concerning the primary hypothesis, that it does not negate the need for clear 3PCL theories that afford safe risk management; not least because providing pecuniary

¹⁰⁸⁴ Part3,ChapterE(II)(1).

¹⁰⁸⁵ Part3,ChapterE(II)(2).

¹⁰⁸⁶ Part3,ChapterE(II)(3).

¹⁰⁸⁷ This is the case for many reasons; Part3,ChapterE(II)(1) mainly proof,(2) compliance with registration requirements.

¹⁰⁸⁸ Part3,ChapterE(II)(1).

awards will always impact to varying degrees on cash flow and profitability. Concerning the secondary hypothesis it may be concluded that the shape of the US system in particular highlighting extensive limitations discussed warrants arguably such a range of remedies and thus, being within an acceptable margin of difference, does not cause an impediment concerning utilisation of US 3PCL concepts as per the secondary hypothesis.

D. Third-Party Liability for Copyright Infringement: Comparative Conclusions and Proposals

Following an examination of relevant aspects of copyright law in the UK and US, which has been concluded and contrasted in Parts 2-3 and Chapters B-C above, it now remains to specifically conclude, compare and make proposals concerning the secondary hypothesis.

I. Authorisation/Vicarious liability

As has become obvious, the UK theory of authorisation and the US theory of vicarious liability belong to the same genus, having similar roots.¹⁰⁸⁹ However, the UK Part has identified an inability to expand vicarious liability in its traditional sense in the UK to include factual situations that have evolved beyond the classic employer/employee relationship.¹⁰⁹⁰ In comparing both types of liability it is useful to first of all broadly summarise both types of liability.

Vicarious liability consists of financial benefit and the right and ability to control. The foregoing discourse has made clear that the financial benefit element has been whittled down by case law, financial benefit not needing to be direct, or even indirect, some would argue, it currently being so loosely defined.¹⁰⁹¹ Authorisation

¹⁰⁸⁹ Part4,ChapterC(III)(2);Part3,ChapterC(III)(3).

¹⁰⁹⁰ Part2,ChapterD(II)(1).

¹⁰⁹¹ Part4,ChapterC(III)(2);Part3,ChapterC(III)(1)(a).

on the other hand consists of, as reiterated throughout, several conflicting definitions and factors. It will however, for the sake of argument, be assumed that the current definition includes, as its most central elements, both the definition “grant or purported grant of the right to do the act complained of”, as well as “to sanction, approve, and countenance”.¹⁰⁹² Alternative definitions, mostly drawn from Australian cases were considered in pertinent UK case law, and factors considered in such Australian cases were recently imported.¹⁰⁹³ It is not the purpose of this particular section to repeat or re-analyse; reference is therefore made to the relevant preceding sections. It will however be added that despite the fact that one might, prior to *Newzbin* have been able to formulate an exclusion of a requirement or consideration of ‘financial benefit’, this is given the “relevant factors” considered by Kitchen J no longer conclusively possible.¹⁰⁹⁴

The operation of the theory of authorisation in the UK is entirely unsatisfactory, mainly due to its amorphous definition, as repeatedly noted.¹⁰⁹⁵ It may also be observed that the previous two ‘main’ definitions are also much wider than the US theory of vicarious liability, which it must be conceded retains some limits to applicability in some technological, mainly P2P, contexts, despite abandoning direct financial benefit due to the requirement of “control”.¹⁰⁹⁶ As the discussion has made clear, particularly attentive OSPs are sometimes able to circumvent the second part of the test, and hence vicarious liability.¹⁰⁹⁷ They are able to do this, for example, by adapting network architecture so that a shift from central server control to independent user hosted content can be identified. Naturally, this type of technical behaviour is mainly representative of only a particularly problematic subset of that of OSPs and not OSPs generally.

What is needed therefore in the UK concerning authorisation, and the lessons learnt from an analysis of vicarious liability in context, is to start afresh. However, to start afresh does not mean to cast out elements which have proven to be either a useful common denominator between the two systems and/or valuable independently. It will be important that any definition despite providing legal

¹⁰⁹² Part2,ChapterD(III)(1).

¹⁰⁹³ Part2,ChapterD(III),(VII)(1) see also *Newzbin*, (n140)[102].

¹⁰⁹⁴ *Newzbin*, (n140)[90],[98].

¹⁰⁹⁵ Part2,ChapterD(III)(1),(VII)(1);Part4,ChapterB(IV).

¹⁰⁹⁶ Part4,ChapterC(III)(1);Part3,ChapterC(III)(3).

¹⁰⁹⁷ See G.Spindler,M.Leistner,Secondary copyright infringement - new perspectives in Germany and Europe,IIC 2006,37(7),788-822.

certainty also fits loosely enough so that it is technology neutral. Both the legislative history to the 1976 US CA, and the DMCA as well as to a certain extent, the Digital Britain Report recognise the value of technological, including OSP innovation, whilst seeking to protect content providers' investment in new and creative music and film content, effectively, this industry's R&D.¹⁰⁹⁸

1) Right and Ability to Control/Supervise

For this reason, the inclusion of a control element is problematic since it is likely that in some evolving technological contexts such will, without of straining the definition, arguably be absent. As the previous discussion has made clear, this need not be the case solely with renegade P2P providers, but also with indexing services, online auction houses and payment companies, that due to the enormity of the scale of their operation, on one view, cannot be said to have sufficient control.¹⁰⁹⁹ Definitions have included 'right and ability to supervise'; here the allegedly inoperative part would be '*ability*', that causes consternation in circumstances where there is an ongoing right to do so.

This is not to forget that the opposing view could be, for example using *Perfect 10 v. Google*, that OSPs in such or similar instances do evidence sufficient control, since it could be questionable to allow operators to hide behind the scale of their operations. On such a theory any infringer may simply argue that it has allegedly authorised infringements to such an extent, being part of an enormous digital online service, that the service is simply too large, useful and it would be too costly or disproportionate, as a result, to implement effective countermeasures, including termination of all or parts of a service. In other, more cynical words, since millions of customers around the globe use and rely on such a service, it is too late.¹¹⁰⁰

The opposing views as to the finding of control should however not detract from the fact that a theory of liability based on such is legally and socially useful. It

¹⁰⁹⁸ See respectively; Part3,ChapterC(VI)(1);Part2,ChapterD(VI)(1).

¹⁰⁹⁹ Part3,ChapterC(III)(2).

¹¹⁰⁰ *Viacom*,(n15) despite bearing in mind but rejecting the argument of s.512(m) since fingerprinting is a standard technical measure.

discourages *Napster* like operations, has the potential to exempt larger, more socially useful and legitimate, OSPs some of which arguably, to draw on the idea proposed in *Visa*, fall into the category of ‘tertiary infringers’; being one step removed from, in some cases, another OSP that may legitimately be viewed as the secondary infringer.¹¹⁰¹ Despite the fact that some would undoubtedly seek to argue that even ‘helpers helpers’ should be liable for prosecution in this regard, it is recognised that whereas in particular this category’s actions may spawn or immensely support current secondarily infringing OSPs, from a socio-legal perspective the damage caused by their actions is arguably too remote.¹¹⁰²

Naturally, the precise calibration of the control element is key. What represents a sufficient nexus? Consciously in this regard, room has been left for a certain amount of fact specific judicial interpretation, keeping a possible definition loose enough, as recognised as a requirement above.¹¹⁰³ Perhaps use of the alternative term ‘supervision’ is instructive. To the extent that an OSP is permitted by law to ‘supervise’ its users’ activities, it should do so. Yet any definition should not include language seeking to introduce *specific* monitoring requirements, since to do so would be too prescriptive and, with a view to future developments, inflexible, as for example even the terminology employed in *Moorhouse*.¹¹⁰⁴ Creating specific positive obligations should not be the role of the law here, as recognised for example in the DMCA.¹¹⁰⁵ The formulation espoused should make it clear that it is up to the individual OSP to assess how best to meet it’s legal obligations in this regard.

2) Authorisation as Granting a Right

¹¹⁰¹ Part4,ChapterC(III)(1);Part3,ChapterC(III)(2),(3).

¹¹⁰² See Clerk & Lindsell,(n283),[2-06].

¹¹⁰³ Naturally this discussion of supervision and the foregoing in the Part above should not detract from the fact that terms of access are a core aspect of liability –avoidance strategies, meaning of course the terms of access to and use of services. The impression should not arise that the DMCA is the sole focus of IP liability avoidance in the context of OSPs, nor indeed is copyright liability the only factor. Unfortunately a detailed discussion is beyond the scope of this thesis, this disclaimer functioning to further delimit the above discussion as it relates to the research questions.

¹¹⁰⁴ *Moorhouse*,(n312),159.

¹¹⁰⁵ DMCA,s.512(m); also for privacy reasons.

Several criticisms may be levelled at the definition of “grant or purported grant to do the relevant act”.¹¹⁰⁶ Firstly, some commentators might argue that this standard comes too close to that of mere facilitation, given the addition in *Newzbin* of additional factors or “relevant circumstances” that “may or may not be determinative” such as the nature of relationship between the actors. Such factors, any of which which could conceivably even be more important than the general definition or each other, denigrate the already weak standard. This unacceptable widening further leads the definition astray into an indeterminate grey area.¹¹⁰⁷

The instant definition as previously also noted has evidenced three further problems in its application.¹¹⁰⁸ The first is that the phrase is capable of falsely suggesting at times that the grantee perceived the grantor’s actions as a “grant or purported grant”. In circumstances such as those in *Newzbin*, it is clear that both parties were aware whether explicitly or by implication that their actions were unauthorised. Moreover in circumstances implicating more “legitimate” or dual use OSPs it is possible that the terminology of “granting a right” is misplaced as being too narrowly drawn, implying a non-existent actual or inferred hierarchy. Lastly, it is arguable that these problems have led to the “twisting” by Kitchen J in *Newzbin* of the classic definition referenced above as one of the main theories, into “purporting to possess the authority to grant any required permission”.¹¹⁰⁹ The reasons and implications of this have been analysed more directly in context in Part 2,¹¹¹⁰ but it suffices to say at that stage that liability, regrettably, could not have logically been produced without such.

3) Authorisation Reformulated

¹¹⁰⁶ Also including ‘whether the intention is that grantee act on his own account, or only on account of the grantor’ as in *Falcon*,(n299),499.

¹¹⁰⁷ *Newzbin*,(n140)[90].

¹¹⁰⁸ Part2,ChapterD(VII)(1).

¹¹⁰⁹ *Newzbin*,(n140),[102].

¹¹¹⁰ Part2,ChapterD(VII)(1).

When choosing between definitions and connected problems¹¹¹¹ and wishing to stay true to the legal heritage of the category of authorisation, it is better to err on the side of caution, meaning that it is better, or a lesser evil, to require an element of control. This is because to adopt a theory which relies either on providing the means to infringe and inevitable infringement, inducing by granting permission, or subsequent ratification alone, is too inaccurate and/or broad and must in some instances be refused as coming too close to facilitation, which has never been accepted as sufficient for liability to lie. Whereas this is a sliding scale, this is and should be so because of two sets of problems; what should be culpable behaviour in terms of a civil wrong and legal certainty.¹¹¹² It is preferable for the theory not to be operative in certain circumstances, especially since it is not the only theory claimants may rely on for third-party copyright infringement in the UK.¹¹¹³ Despite this, it will be observed that a definition which includes ongoing control would still find the operators of Newzbin liable, but would exempt, for example Amstrad.

Given that the theory of authorisation predicated upon the grant of authority has been refused above and also implicitly in *Newzbin*, both by the observed alterations as well as the combination with the ‘old’ test to “sanction, approve and countenance”, such will find no place in a new formulation of the theory. Some of the merits of the “old” test have been discussed in Part 2.¹¹¹⁴ Liability is produced by “subsequent authorisation” which has been termed by this work, ratification, which despite being a general concept, thus allowing for necessary fact specific interpretations, provides equity to any formulation since it moves the test of authorisation half a step towards that of common design, however taking great care not to cross the line. The definition, being one-sided, and capable of being met without action, is also devoid of any element of a higher level of commonality between the actors than mere approval in connection with the utilisation of services provided. Moreover, the motivation behind any acts by the person so authorised remain irrelevant as concerns on whose account and for whose benefit such were carried out.

¹¹¹¹ Part2,ChapterD(VII)(1);Part3,ChapterC(III)(3);Part4,ChapterC(III)(1).

¹¹¹² To make mere facilitation in the copyright context a civil wrong would stray beyond what would be generally accepted not only in legal but also societal terms, which are interconnected, see Lord Devlin's models cited above, see discussion in Part 2(VII)(1).

¹¹¹³ As with vicarious liability in the US;Part4,ChapterC(III)(1).

¹¹¹⁴ Part2,ChapterD(III)(1),VII(1).

It seems therefore that at this stage an impasse may have been reached. Despite the fact that the ratification definition is to be preferred to the inducement-like granting of permission definition, both share a common design, and thus common fault, which it is perhaps not wise to ignore. It seems that despite swerving to protect rights holders interests with the advent of the 1911 Act, UK jurisprudence has previously stopped short of extending the definition of authorisation in contexts in which the relationship between an infringer and third-party does not at the very least exhibit a modicum of hierarchy, harking back to the agency master-servant relationship, in so far as it concerns the passing of a legal right to act in a certain way.¹¹¹⁵ Current disregard of this fact is less due to a reasoned and analytical approach, but more to an, at times, confused, search for content.

As a result of the aforementioned facts, three outcomes may be considered. The first is that the ratification-like definition of authorisation is adopted as the sole definition, with the express formulation or incorporation of the requirement that the primary infringer believes that the third-party was in a position to transfer, or in a similar vein, to authorise such activity, due to being in a position to do so. This would, whilst being true to and required by legal history, restrict the operability of the theory of authorisation. The second solution would be to replace the previous UK definitions, problematic in particular in digital contexts with generally copyright aware users, with one centring on producing liability in the event of ongoing control by OSPs of the actions of its users and primary infringers. This despite being wider than the aforementioned solution, is narrower than the current definition of authorisation, but has its own problems as mentioned. The third solution is a hybrid approach; adding both definitions together, perhaps obviating the need for specific language incorporating the belief on the part of the user of being granted certain rights, since the control element sufficiently balances the equation for the OSP in this regard. This solution is to be preferred, providing the requisite systemic balance. Concerning the language for authorisation based upon ratification, it is suggested that the dictionary definition is replaced rather more simply with “ratification”.

The following is proposed as a model for discussion for legislative adoption in a new s.21A CDPA 1988:

¹¹¹⁵ Part2,ChapterD(II(1));Part4,ChapterB(IV).

The copyright in a work is infringed by a party that retains or retained at the relevant time, control or supervision over the act(s) of one or more direct infringers, and expressly or impliedly ratified the act(s) complained of, falling into the acts restricted by copyright set out in this Act.

Concerning the secondary hypothesis that the above formulation is all the previous definition of authorisation was not; namely more closely delineated, legally certain and balanced. As a result of having integrated concepts following a considered sift of US 3PCL evolution, an improved formulation for legislative adoption had been arrived at. The above sections D(I)(1-3) have led to the above formulation, which is to be viewed as thus distilled.

II. Common Design/Procurement and Contributory/Inducement Liability

Having identified the overarching issues presenting themselves in relation to 3PCL in the UK,¹¹¹⁶ and having discussed the theory of authorisation in the preceding section, the second basis for 3PCL in the UK may now be turned to.

As the discussion of UK common design/procurement¹¹¹⁷ and US contributory/inducement liability¹¹¹⁸ in the preceding Parts has made clear, there is similarity to the category of authorisation/vicarious liability discussed above, in that both also represent the closest predominant and functional equivalent of each other in their respective jurisdictions and moreover share a common ideological ancestry.¹¹¹⁹ Both the UK and US categories of liability share, for the most part, what has been termed “assistance in pursuit of any infringing acts (...) in concert with the primary infringer”,¹¹²⁰ whilst bearing in mind that two broader categories each with one distinct subset, or on an alternative view, four independent but linked categories, are being compared.

¹¹¹⁶ Part4,ChapterB(IV);Part2,ChapterD(IV)(1).

¹¹¹⁷ Part4,ChapterB(IV);Part2,ChapterD(II)(2),(IV),(VII).

¹¹¹⁸ Part4,ChapterC(III)(2);Part3,ChapterC(IV).

¹¹¹⁹ Part4,ChapterB(IV),C(III)(2);Part2,ChapterD(VI);Part3,ChapterC(V).

¹¹²⁰ *Parker*,(n770),499.

1) The Categories Delineated

It is first of all worth restating the requisite definitions to facilitate an immediate discussion. Liability in the US may occur due to the acts of an OSP falling into either the category of infringement by broadly termed contribution or inducement. The US Part has discussed at length the relationship between both categories.¹¹²¹ The view is proffered here that they are neither mutually exclusive,¹¹²² nor is inducement any longer a mere constructive subcategory as previously possible due to the *Gershwin* formulation of contributory liability for those who “with knowledge of the infringing activity, induce, cause, or materially contribute to the infringing conduct of another”,¹¹²³ due to the evolved formulation in *Grokster* centring around the subjective intent to induce: “one who distributes a device with the object of promoting its use to infringe copyright, shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”¹¹²⁴ Material contribution and purveyance of the means to infringe has been discussed in Part 3 at length.¹¹²⁵

As elaborated in Part 2, the definition of common design, being less strict than the definition of procurement, is also wider in scope and on one reading includes procurement.¹¹²⁶ Several alternative definitions have been acknowledged such as “concerted action” or “agreed on a common action” which are met at the lowest end of the scale by simple tacit agreement.¹¹²⁷ As has also been described, joint tortfeasorship may also be established by procurement or inducement, introduced as related if not synonymous concepts.¹¹²⁸ Equally, putting common design into context with procurement, UK case law has somewhat frustratingly failed to distinguish between the two, in bundling both, further, also including inducement.¹¹²⁹ This reticence leads to the above identified problem of legal uncertainty due to imprecise and open ended concepts. The most useful

¹¹²¹ Part3,ChapterC(IV),esp(5).

¹¹²² Part4,ChapterC(III);Part3,Chapterc(V); see e.g. *Viacom*,(n15).

¹¹²³ *Gershwin*,(n763),1162.

¹¹²⁴ *Grokster*,(n19).

¹¹²⁵ Part3,ChapterC(IV)(2)(3).

¹¹²⁶ Part2,ChapterD(VII)(1).

¹¹²⁷ *Unilever plc v Gillette (UK) Ltd* [1989]R.P.C.583,608.

¹¹²⁸ *Credit Lyonnais*,(n361),46.

¹¹²⁹ *Newzbin*,(n140),[104].

pronunciation is arguably that by Templeman LJ which may be read to mean that procurement is an umbrella standard; “generally speaking, inducement, incitement or persuasion to infringe must be by a defendant to an individual infringer and must identifiably procure a particular infringement in order to make the defendant liable as a joint infringer”.¹¹³⁰

2) The Categories Reformulated

The standard of common design, as formulated, provides the least certainty, and also risks at least partially straying into the field of facilitation,¹¹³¹ which is to be avoided.¹¹³² It is undesirable for this area of the law to feature this very broad category and to use procurement, which is itself an umbrella term, to effectively define and bolster said. The intellectually courageous step must therefore be taken, as the secondary hypothesis demands, to redefine liability completely in this regard for both categories, yet staying true to the overall concept of a broader, yet then more relevant, and a narrower category, for arguably more culpable behaviour.

a) Common Design Replacement: Contribution Amalgamated

In the first instance, it will be important to note that the previously referenced need by US courts to “draw a line in the sand” concerning mere facilitators; in other words distinguishing between secondary and tertiary infringers is indeed quite valuable.¹¹³³ This is something that if taken into account prospectively will engender clarity and avoid unnecessary litigation. This means that it would be valuable for the UK to adopt both the standard in *Amazon* as well as adopting the central tenet in *Visa* that facilitation is to be excluded, as discussed at in Part 3, concerning the wider category of contributory liability to be adopted to replace

¹¹³⁰ *Amstrad*, (n4)1058.

¹¹³¹ Part2,ChapterD(VII)(1).

¹¹³² Tacit agreement may be too readily inferred.

¹¹³³ Part3,ChapterC(IV)(3);Part4,ChapterC(III)(2);*Nimmer*,12.04[A][3][a].

the current definition of common design.¹¹³⁴ It is however submitted that taking the approach in *Visa* further would be inappropriate, since it would indeed negate the functional principles in *Amazon*. In other words, it is important that facilitation is excluded, but that terminology rejecting “material contribution” including a requirement of being the “site of infringement” is not included. This would, as may be learned from the situation in the US lead to confusion and indeed a similar type of regrettable inapplicability that the theory of vicarious liability faced concerning peer-to-peer operators’ technical (d)evolution, negating control. This however does not mean that consultation reports or discussion in Parliament, evidenced via Hansard, could not reference the intention behind the inclusion of the exclusion of facilitation, that however goes no further, as being that to 3PCL to those secondarily liable and not those that would in effect, be tertiary infringers.

It is of course accepted that the focus of ‘common design’ lies more in a commonality of objective, focusing on the agreed intention of the parties; whereas contributory liability focuses instead on the actual acts taken in furtherance of such an objective. In one sense common design, despite being much broader, is thus closer to the US category of inducement liability. It is nonetheless submitted that it is logical and desirable to hold those accountable that thus aid and abet infringement, as measured by, concerning the broader category, their actions, and only in the more limited category examined below, taking into account inducement.

Therefore, the following is proposed as a model for discussion concerning the broader category, replacing common design, with an amalgamated US influenced contributory liability standard for legislative adoption in a new s.21B CDPA 1988:

The copyright in a work is jointly infringed by a party that;

- a) with actual knowledge or general awareness of infringing activity (being the infringing nature of the result of the activity) materially contributes to the infringing conduct of another; and
- b) fails, where possible, to take reasonable, proportionate and effective steps to prevent the incidence of such;

¹¹³⁴ Part3,ChapterC(IV)(2),(3).

provided such a party's actions rise above mere facilitation of the act(s) complained of, falling into the acts restricted by copyright set out in this Act.

Concerning the secondary hypothesis, the above formulation has improved as required on the previous definition namely by being more closely delineated, legally certain and balanced. As a result of having integrated concepts following a considered sift of US 3PCL evolution, an improved formulation for legislative adoption had been arrived at.

The above s.21B should be viewed as being a form of 3PCL, with direct infringements forming the basis (infringing activity). The relationship between the proposed s.21A and s.21B is much as that between authorisation and contribution and the differences between both concepts, as explored above. Both sections are targeted at these two broadly different forms of culpable behaviour, just with enhanced content. The above sections D(II)(1-2) have led to the above formulation, which is to be viewed as thus distilled.

b) Procurement Redefined

As has been noted, procurement in the UK is an umbrella term which has been said to include inducement, incitement or persuasion.¹¹³⁵ As has also been clarified, the interplay with the common design category of liability presents the greatest area of concern.¹¹³⁶ However, the umbrella category of procurement itself would benefit from a more tailored delineation, which would serve to provide enhanced legal certainty in particular when adopted in tandem with the above proposed categories. This is the case since inducement differs from incitement or persuasion as to, in particular, the level of active influencing acts or omissions required. As a result the category of procurement encompasses an admittedly small, but present, scale in this regard. Moreover, the category itself is not defined in great depth. This means that the corresponding category of US developed inducement liability¹¹³⁷ could, being judicially tailored, beneficially influence the solution to be adopted in the UK, particularly bearing in mind that this would

¹¹³⁵ Part2,ChapterD(IV)(1); *Newzbin*,(n140),[104],citing *Amstrad*(n4).

¹¹³⁶ Part2,ChapterD(VII)(1).

¹¹³⁷ Part3,ChapterC(IV)(4).

function as the narrower category for more culpable conduct, in respect of the above proposed more general, wider category of liability.

Therefore, the following is proposed as a model concerning the narrower category, replacing procurement, with an amalgamated US influenced contributory liability standard for legislative adoption in a new s.21C CDPA 1988:

The copyright in a work is jointly infringed by a party responsible for the provision of goods or services whereby such affirmatively, by stated intent with acts or omissions induces the act(s) complained of, falling into the acts restricted by copyright set out in this Act.

Concerning the secondary hypothesis the above formulation improves on the design of the previous definition by being more closely delineated, legally certain and balanced. As a result of having integrated concepts following a considered sift of US 3PCL evolution, an improved formulation for legislative adoption had been arrived at. The above sections D(II)(1-2) have led to the above formulation, which is to be viewed as thus distilled.

III. The Effects of the Reformulation

Concerning the effects of the reformulations required by the primary hypothesis and proceeded with under the secondary hypothesis, these are relatively straightforward. As invariably repeated many times throughout this thesis, the perceived effects of the current provisions of UK third-party copyright liability have been sought to be remedied by cross pollination with more developed U.S. theories. It is intended that the results are more accessible, balanced, delineated and legally certain bases of liability which at the same time do not throttle customary and acceptable judicial manoeuvring on the facts in particular cases. As such it will be remembered that, as stated, the reformulations are a basis for discussion, arrived at following the process of distilled discussion in D(I)(1-3) and D(II)(1-2) respectively. Both consultation reports and Hansard should further provide a legislative backdrop, allowing for particular intentions and concepts to be further delineated. Concerning the “copyright wars” between the content

providing and using industries referred to in Part 1, it is expected that the proposals will benefit both industries concerned.¹¹³⁸ Benefits accrue from the fact that the enhanced logic, consistency and clarity may lead to a reduction of infringing business models, due to appropriate risk assessments, and where such are nonetheless in existence, the imposition of unambiguous liability. Importantly, legitimate OSPs are now in a better position to conduct appropriate legal risk assessments and stand to possibly avoid 3PCL. This may in fact lead to investment in and expansion of the content using industry, without unduly compromising the content providing industry, which may also benefit in similar ways.¹¹³⁹

Lastly, it must be mentioned that the proposed legislative reform would cover 3PCL more generally, meaning not only OSPs. This is intended and laudable for several reasons. Firstly, in terms of extrinsic positioning, the new categories fit within a wider framework of copyright protection in the UK. Their scope is thus limited. Secondly, the thesis has focused on the problematic interplay of 3PCL with OSPs, but these are not the only market actors that are affected by the highlighted problems with the current regime, and that would thus benefit from its reform. Thirdly, the fact that the focus of this thesis has been on OSPs and the internet has ensured that the reformulation of 3PCL is as technologically up-to-date as possible, the importance of which cannot be understated given the scope for infringement using new media.

¹¹³⁸ Part1,ChapterA(II).

¹¹³⁹ 'Investor culture' and new OSP models pushing boundaries would then not inherently be for the US, as it appears Prof. Hargreaves regrettably accepted; Hargreaves,(n425),[5.17].

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